CLIMATE TRANSPARENCY REPORT

2019

Boston Common Asset Management

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2019 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response.The full Public Transparency Report is available here(https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-545C7725-A3DF-46FF-A916-C96AFC3FF0CB/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/).It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2019 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose.The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.4	✓	Public				
SG 14.5	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Principles for Responsible Investment

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Boston Common Asset Management
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ 1 - 4.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2008
Region	North America
Country	United States
Disclosure of Voluntary Indicators	78% from 38 Voluntary indicators

Boston Common Asset Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

◉ Yes

SG 01.2	Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach ☑ Formalised guidelines on environmental factors ☑ Formalised guidelines on social factors ☑ Formalised guidelines on corporate governance factors ☑ Fiduciary (or equivalent) duties ☐ Asset class-specific RI guidelines ☑ Sector specific RI guidelines ☑ Screening / exclusions policy ☑ Engagement policy ☑ (Proxy) voting policy ☑ Other, specify (1) ICGN Global Stewardship Principles ☐ Other, specify(2)	◉ Applicable policies cover all AUM ○ Applicable policies cover a majority of AUM ○ Applicable policies cover a minority of AUM

SG 01.3	Indicate if the investment policy covers any of the following

☑ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

☑ Your investment objectives that take ESG factors/real economy influence into account

☑ Time horizon of your investment

☑ Governance structure of organisational ESG responsibilities

☑ ESG incorporation approaches

☑ Active ownership approaches

☑ Reporting

☑ Climate change

☑ Understanding and incorporating client / beneficiary sustainability preferences

☐ Other RI considerations, specify (1)

☐ Other RI considerations, specify (2)

SG 01.4	Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties,and how they consider ESG factors and real economy impact.

Boston Common believes markets typically mis-value the risks and opportunities presented by environmental, social, and governance factors, both in terms of the timing and the magnitude of outcomes. We seek to preserve and build capital through diversified portfolios of high-quality, sustainable, undervalued stocks. We identify companies with sound governance and a history of responsible financial management that we believe are capable of consistent, visible profitability over a long time horizon. We look for indicators of quality in firms operating successfully in economic sectors with superior end-market growth or improving industry competitive dynamics, but that appear to be trading at discounts to their intrinsic value. Our research-driven conviction is enhanced by our 360 degree perspective where we integrate financial and environmental social and governance (ESG) criteria into our stock selection process.

We are constantly working to adapt the implementation of this philosophy to a changing market environment. However, the general principles have remained consistent over time and across the strategies we manage. In volatile market conditions, we have come to appreciate how our integrated ESG and careful valuation approach helps us to provide long-term upside and manage "tail risks" (low probability-high impact events).

SG 01.5	Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Our firm is a responsible investment boutique. As such, our firm-wide investment policy is governed by a responsible investment approach with ESG integration and active stewardship/shareholder engagement, and this investment policy applies to all accounts. Some clients may request additional customized considerations such as animal rights, peace, or fossil-fuel free investing, and we reflect those considerations in their bespoke investment policy statements. Our ESG Research team has over 20 years of collective experience in helping to define the metrics that are now commonly used in ESG data gathering, disclosure, and engagement. As pioneers in this field, we are often asked to be leaders and contributors to educational seminars through NGOs, activist networks and more recently through financial advisory and intermediary events. In addition to being internal mentors, we encourage our team members to go to industry conferences and seminars on specific Environmental, Social, or Governance issues.

○ No

	I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

SG 01 CC	Voluntary	Public	Descriptive	General

SG 01.6 CC	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.

Within our investment time horizon, climate risks affect all sectors and subsectors, some more directly than others. As an asset manager investing in global equities, we use a combination of ESG integration and proactive engagement to address this challenge. We incorporate climate risks and opportunities into our stock selection, portfolio construction and shareholder engagements. There are also emerging risk and opportunity dimensions, as people and planet cope with the changes. We pursue active engagement across all sectors to encourage the transition to a low(er) carbon economy.

(1) Concerns regarding stranded assets have much broader implications than the list of 200 hydrocarbon producers targeted by activists. Segments seeing direct impact include Energy services companies and electric utilities whose businesses could quickly become obsolete. We extrapolate further to industries that will be deeply affected by climate change but perhaps not cut to the core, for example: the transport and shipping sectors, energy-intensive chemicals and fertilizers, livestock agriculture, etc. If carbon were priced to reflect its true cost, we would expect to see follow-on effects throughout the economy, with the most hydrocarbon-intensive products and firms losing to more efficient alternatives.

(2) Changed economics of the business due to changes in costs, market demand, pricing power: These changes could come from regulatory changes, weather related disruptions, changes in consumer preference, social license to operate, etc. We assess the probability of these changes and their impact on the company's operations, fundamentals and valuation. On the revenue side, total demand as well as pricing power could be different as consumer preference shifts and disruptive new technologies emerge.

(3) Carbon risk and opportunity in sectors that are not traditionally carbon intensive: Examples of this are sectors like Financials and Healthcare that could face risks from their current operations if they continue with business as usual. Increasing lending to carbon intensive segments or businesses create the potential for non-performing assets, mispriced loans and less diversified portfolios as climate risks affect many different types of businesses. Healthcare challenges of air quality and natural disasters may not be fully anticipated.

(4) Sector level assessment: At the sector level, we identify risk and opportunity, and select the appropriate approach:

Risks we want to avoid (where the risks are core to the business model of the company), e.g. coal or tar sands producing companies. Companies with climate risk exposure, but where products or practices can be improved through engagement, e.g. best in class companies with modest climate-risk exposure.
Companies with contingent risks, that are traditionally not viewed as high risk, e.g. the financial sector which can also create major systemic risk for investors through their activities We seek investments in companies whose products and services are part of the solution to climate risks, provided they meet our financial quality, valuation and portfolio requirements.

(5) Seeking Opportunity everywhere: We look for providers of and leaders in energy efficiency and technological solutions throughout the economy's value chain, which will benefit competitively from the transition to a low-carbon economy.

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

SG 01.8 CC	Indicate the associated timescales linked to these risks and opportunities.

Boston Common aims to provide for society's transition to a low carbon economy over a manageable time horizon (over the next 10-20 years) by investing selectively in more carbon-efficient fossil fuels, by preferring firms with energy efficient products and processes over those with more resource-intensive alternatives, and by engaging the companies we own to improve their energy use.

We do both top down and bottom up assessments of companies regarding key environment and climate change risks and/or opportunities for each sector. Preparedness and ability to address climate change and other environmental risks are embedded within this analysis and lead us to identify leaders and laggards within sector, industry and sub-industry. We use this research to drive critical assessment of Management Quality in all sectors.

Through engagement, we seek to create some "momentum" on the ESG side, and improve fundamentals of portfolio companies. Insights into possible engagement initiatives arise out of our Research into material risks, and opportunities available to an industry, and to companies in our portfolios.

In some of our more recent climate-themed engagements, we prioritized those banks that are the largest financiers of carbon intensive industries to leverage their role in financing energy efficiency and renewable energy innovation, and portfolio companies with the highest GHG emissions on eco-resource efficiency investments at the operational level.

○ No

SG 01.9 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.10 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Boston Common aims to provide for society's transition to a low carbon economy over a manageable time horizon (over the next 10-20 years) through integrated investment and proactive shareholder engagement/active stewardship.

For the long term, we consider systemic changes: severe weather events with changed frequency, changes in the expected distribution of outcomes, posing severe challenges for investment assets, beneficiaries of investment assets, financial companies, lenders, insurance companies, and indeed every sector of the economy. Given the cumulative nature of Climate Change, we anticipate risks that cannot be diversified away. We have created active engagement across all industries and sectors for low-carbon transition preparedness, solutions opportunity, and prompting and curating discussions regarding Board-level oversight of ESG issues -- "the governance of sustainability". In our climate-themed engagements, we have prioritized those banks that are the largest financiers of carbon intensive industries to leverage their role in financing energy efficiency and renewable energy innovation, and portfolio companies with the highest GHG emissions on eco-resource efficiency investments at the operational level.

For the medium term, our ESG and financial analyst teams create sector maps of risks and opportunities. We assess new technologies, thematic opportunities, declining sectors, changing the risk-reward opportunity from some carbon-efficient products, services, materials, industrial processes, water stewardship, etc. Our effort is to identify products, processes and policies that will be more resilient, and contribute to a low-carbon future and climate resiliency. We also look at regulatory change and consumer preference, to identify evolving, growing end-markets, pockets of risk and opportunity at the industry or sub-sector and geographical level. We are looking for sustainable, profitable growth, the pricing of hitherto unpriced risks, and potential re-rating in valuation terms as our returns could come from all sources.

For the short term, our portfolio decisions are sensitive and responsive to valuation, shifting comparative advantage, the competitive dynamic, and macroeconomic considerations. On a day-to day-basis, we are particularly mindful of disruptive new ways of doing things: which brings competition from different sectors, to traditional dominant players. In the renewable energy space for example, market leadership and pricing power has shifted a lot over the last two decades and winners and losers change with technological advantage, regulation, market share, and good execution of product-market strategy.

○ No

SG 1.12 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☑ Regular client reporting

☐ Member communications

☐ Other

SG 02	Mandatory	Public	Core Assessed	PRI 6

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

☑ Policy setting out your overall approach

	URL/Attachment

☑ URL

	URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment (will be made public)

☑ Formalised guidelines on environmental factors

	URL/Attachment

☑ URL

	URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment (will be made public)

☑ Formalised guidelines on social factors

URL/Attachment

☑ URL

URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment (will be made public)

☑ Formalised guidelines on corporate governance factors

URL/Attachment

☑ URL

URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment (will be made public)

☐ Fiduciary (or equivalent) duties

☑ Sector specific RI guidelines

URL/Attachment

☑ URL

URL

{hyperlink:https://bostoncommonasset.com/Membership/Apps/ICCMSViewReport_Input_App.ashx?IX_OB=None&IX_mId=18&IX_RD=Y&ObjectId=720090}

☐ Attachment (will be made public)

☑ Screening / exclusions policy

URL/Attachment

☑ URL

URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment (will be made public)

☑ Engagement policy

URL/Attachment

☑ URL

	URL

{hyperlink:http://news.bostoncommonasset.com/achieving-impact/}

☐ Attachment (will be made public)

☑ (Proxy) voting policy

	URL/Attachment

☑ URL

	URL

{hyperlink:https://bostoncommonasset.com/App_Themes/default/images/ClientThemeImages/Boston Common/ProxyVotingSummary.pdf}

☐ Attachment (will be made public)

☐ Other, specify (1)

☐ We do not publicly disclose our investment policy documents

SG 02.2	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

☑ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

	URL/Attachment

☑ URL

	URL

{hyperlink:https://bostoncommonasset.com/Membership/Apps/ICCMSViewReport_Input_App.ashx?IX_OB=None&IX_mId=18&IX_RD=Y&ObjectId=1243742}

☐ Attachment

☑ Your investment objectives that take ESG factors/real economy influence into account

	URL/Attachment

☑ URL

	URL

{hyperlink:https://bostoncommonasset.com/Membership/Apps/ICCMSViewReport_Input_App.ashx?IX_OB=None&IX_mId=18&IX_RD=Y&ObjectId=1243742}

☐ Attachment

☐ Time horizon of your investment

☐ Governance structure of organisational ESG responsibilities

☑ ESG incorporation approaches

URL/Attachment

☑ URL

URL

{hyperlink:http://news.bostoncommonasset.com/wp-content/uploads/2016/09/Boston-Common-Comprehensive-ESG-Criteria.pdf}

☐ Attachment

☑ Active ownership approaches

URL/Attachment

☑ URL

URL

{hyperlink:https://bostoncommonasset.com/Membership/Apps/Boston_ActiveOwner_Input_App.aspx?IX_mId=9}

☐ Attachment

☑ Reporting

URL/Attachment

☑ URL

URL

{hyperlink:http://news.bostoncommonasset.com/achieving-impact/}

☐ Attachment

☑ Climate change

URL/Attachment

☑ URL

URL

{hyperlink:https://bostoncommonasset.com/Membership/Apps/ICCMSViewReport_Input_App.ashx?IX_OB=None&IX_mId=18&IX_RD=Y&ObjectId=720090}

☐ Attachment

☐ Understanding and incorporating client / beneficiary sustainability preferences

☐ We do not publicly disclose any investment policy components

SG 02.3	Additional information [Optional].

As an asset manager focused solely on responsible and sustainable investing, all of our reporting is about our integrated approach from our Responsible Investment philosophy, ESG Integration, Active Ownership activities, Proxy Voting and Shareholder Resolutions, and Engagement Impact.

It is therefore difficult to direct you to one document or place our own website and in some cases multiple places or documents cover these topics.

Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

External managers or service providers

☐ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☑ No responsibility for climate-related issues

SG 07.6 CC	For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The board reviews and endorses our commitment as a signatory to the Montreal Carbon pledge which we have adopted as a formal commitment to measure, disclose and reduce our carbon footprint. Our chief investment strategist, responsible for co-designing our ESG approach chairs our board of directors.

Our approach to measuring carbon risk goes beyond the energy and utilities sectors; we consider risk in transport, shipping, and agriculture, and in those industries that have ignored financial risks associated with lending to carbon intensive industries, such as banks and insurance companies. Assessing our portfolios' carbon footprints informs our investment decision-making process, as we seek companies that are not only making efforts to reduce their GHG emissions, but also those that already have demonstrated low carbon footprints. We complement this assessment by avoiding risky companies whose GHG emissions have grown unabatedly and are more susceptible to financially related climate risks. We actively use the data to challenge companies on climate-strategic questions in our shareowner engagement initiatives. Our major strategies produce fewer emissions and are less carbon-intensive than their respective benchmarks, primarily due to stock selection.

Every quarter, the Board receives a complete review of our strategies, covering financial and ESG aspects,

carbon footprint, Engagement outcomes.
In addition, the budget for our own firm level initiatives undertaken to offset our carbon footprint, select and support offsets are included in firm-level budgets approved by the Board. We also have firm-level contingency plans for operating in extreme weather events.

SG 07.7 CC	For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

Our firm-wide commitment to addressing climate change is managed collaboratively by the integrated ESG Investment team.

The Director of Shareowner Engagement has been primarily responsible for the management and implementation of our commitment to the Montreal Carbon Pledge. We have conducted carbon audits of our key model portfolios (U.S. Core, International EAFE, ACWI ex U.S. and Sustainable Climate) and use the results to inform our investment decision-making and engagement. We also communicate those results publicly on an annual basis.

Our Director of ESG Research and our Chief Investment Strategist have been primarily responsible for the implementation of climate considerations in our portfolios. However, our entire 15 person strong investment team is responsible for identifying companies that are developing innovative tools,, Our integration of ESG considerations has lead energy efficiency and renewable energy to become long running investment themes. We have sought companies that develop energy efficiency or renewable energy products or support them in their operations. We have also reported out to clients for more than a decade on the percentage of their assets which were invested in companies providing environmental or social 'solutions.' (based on our own definitions and revenues derived from these products or services). Around ten percent of the companies in our portfolio are 'solutions' firms with the largest group those companies falling into the recycling/energy efficiency or the renewable energy categories.

Given our preference for ESG leaders, our investment team is oriented towards building portfolios which avoid investing in companies and industries contributing the most to global climate change. We seek subsitutes to the most energy intensive companies where they exist and avoid investing in companies whose primary revenues come from coal or nuclear power, tar sands and corn based ethanol.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, to assess future ESG factors

Describe

We believe markets typically mis-value the risks and opportunities presented by environmental, social, and governance factors, both in terms of the timing and the magnitude of outcomes. Therefore our in-house ESG team is an invaluable resource for testing ideas regarding the impacts of macro-economic shifts.

☑ Yes, to assess future climate-related risks and opportunities

Describe

We measure & disclose the carbon footprint of all of our strategies since 2015 and as a result of our comprehensive ESG framework all our products can be described as 'low-carbon.' Our strategies produce fewer emissions than their respective benchmarks primarily due to stock selection.

☐ No, not to assess future ESG/climate-related issues

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☐ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]

As investors we believe ESG risks and opportunities can influence expected portfolio returns. Factoring these issues into our investment process addresses our dual objectives of (potentially) enhancing investment returns and aligning our clients' investments with broader sustainability objectives.

We are a fundamental, stock-selection driven investment manager aiming to provide for society's transition to a low carbon economy over a manageable time horizon by investing selectively in more carbon-efficient fossil fuels, by preferring firms with energy efficient products and processes over those with more resource-intensive alternatives, and by engaging the companies we own to improve their energy use.

We employ shareowner engagement to increase our positive ESG impacts and reduce ESG risks on issues such as climate change and human rights.

SG 13 CC	Voluntary	Public	Descriptive	General

SG 13.4 CC	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.

☐ Initial assessment

☐ Incorporation into investment analysis

☑ Inform active ownership

	Describe

We do both top-down and bottom-up assessments of companies regarding key environment and climate change risks and/or opportunities for each sector. Preparedness and ability to address climate change and other environmental risks are embedded within this analysis and lead us to identify leaders and laggards within sector, industry and sub-industry. We use this research to drive critical assessment of management quality in all sectors.

In high environmental risk commodity end-markets we search for companies that could be beneficiaries of a trend toward pricing in externalities. Within the Materials sector, we invest in metal recyclers instead of miners because they should both rise in periods of scarcity of raw materials, but incorporating the cost of environmental degradation would hurt miners' profitability. Based on our deep probe of the building materials industry, we believe cement manufacturing is one of the most exposed businesses to climate change considerations. However, we found distributors of plumbing equipment that should grow alongside construction materials companies albeit without the risk of economic pressure from rising carbon-related costs.

In assessment at the stock level, we model three scenarios for the company's future revenues and profitability and valuation:- a base case, an optimistic and a pessimistic case. These take into account the operating environment, regulatory changes including climate regulations, disruption from other models of product/market strategy, consumer preferences for more sustainable products/services, pricing and cost pressures caused by climate and other societal changes. They enable us to model and estimate the probabilities of potential return and risk. Our scenarios differ by product, service industry and sector considerations. We can model more favorable or proximal positive outcomes for solutions providers, allowing us to reflect the changing mix of a company's products or favorable market conditions. Scenarios differ by magnitude and direction of outcomes. Over the years, our timelines, probabilities, and discount rates have to change, as the cumulative effects of climate change become clearer. Regulations, and opportunities will likely change, and we try to model these in our thinking. Such developments may move the base case in more favorable or unfavorable directions, with greater disparity between best and worst cases, changing the risk/reward for our investment opportunity set.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☐ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

SG 13.6 CC	Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.

◉ Yes

	Describe

We believe that our engagement activities, will over the long-term improve the ESG fundamentals of companies we invest in. Improving the sustainability profiles of our portfolio companies may lead to improved financial performance via increased efficiency, lower staff turnover or shorter regulatory approvals due to compliance approaches embedded in management systems. We seek to create some "momentum" on the ESG side, and improve fundamentals of portfolio companies. Insights into possible engagement initiatives arise out of our Research into material risks, and opportunities available to an industry, and to companies in our portfolios.

In some of our more recent climate-themed engagements for example, we prioritized those banks that are the largest financiers of carbon intensive industries to leverage their role in financing energy efficiency and renewable energy innovation, and portfolio companies with the highest GHG emissions on eco-resource efficiency investments at the operational level.

We periodically re-evaluate the subject of carbon risk, update our expectations for this rapidly changing systemic risk, and accordingly modify our guidelines for responsible investing and our engagement priorities. This type of planning has led us to take on a broad swathe of engagement efforts relating to measuring, monitoring and modifying carbon-related activities at the systemic level. While product design and process efficiencies remain important, we have stepped up our efforts to address banks and systemically important financial institutions. We have also taken on several initiatives on political contributions and lobbying disclosure to assertively address the thorny issues of corporate control of policy, in a time of deregulation and rapid growth of climate-related risks.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

◉ Yes, including analysis based on a 2°C or lower scenario

○ Yes, not including analysis based on a 2°C or lower scenario

○ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios the organisation uses.

Provider	Scenario used
IEA	☐ Beyond 2 Degrees Scenario (B2DS)
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☐ Sustainable Development Scenario (SDS)
IEA	☐ New Policy Scenario (NPS)
IEA	☑ Current Policy Scenario (CPS)
IRENA	☐ RE Map
Greenpeace	☐ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☐ BNEF reference scenario
IPCC	☐ Representative Concentration Pathway (RCP) 8.5
IPCC	☐ RPC 6
IPCC	☐ RPC 4.5
IPCC	☐ RPC 2.6
Other	☐ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☑ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		2	400	000	000
Currency	USD				
Assets in USD		2	400	000	000

	Specify the framework or taxonomy used.

Boston Common aims to provide for society's transition to a low carbon economy over a manageable time horizon by investing selectively in more carbon-efficient fossil fuels, by preferring firms with energy efficient products and processes over those with more resource-intensive alternatives, and by engaging the companies we own to improve their energy use.

We do both top down and bottom up assessments of companies regarding key environment and climate change risks and/or opportunities for each sector. Preparedness and ability to address climate change and other environmental risks are embedded within this analysis and lead us to identify leaders and laggards within sector, industry and sub-industry. We use this research to drive critical assessment of Management Quality in all sectors.

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Developed Sustainable Climate (Fossil Fuel Free options) strategies to respond to client demand.

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☐ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☐ Total carbon emissions

☐ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14.4	If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

We are Montreal Carbon Pledge ambassadors and have publicly disclosed the carbon footprint of 4 of our key portfolio strategies in 2017 against their respective benchmarks. We have not yet completed analysis of our portfolios for 2018 but once completed our public report will be made available on our website.

SG 14.5	Additional information [Optional]

Assessing our portfolios' carbon footprints further informs our integrated ESG investment decision-making process and our engagement with portfolio companies.

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	Carbon Intensity expresses the carbon efficiency of the portfolio and allows institutional investors to measure the volume of carbon emissions per dollar of sales generated by portfolio companies over a specified time frame.	per $1 MM invested	How efficient is my portfolio in terms of emissions per unit of output?
Carbon footprint (scope 1 and 2)	☐ All assets ☑ Majority of assets ☐ Minority of assets	Total Carbon Emissions measures the absolute tons of CO2e (Scope 1 + 2) for which an investor is responsible.	tons of CO2	
Portfolio carbon footprint	☐ All assets ☑ Majority of assets ☐ Minority of assets	Most literal carbon footprint from GHG accounting perspective Absolute number can be used for carbon offsetting	tons of CO2	

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

◉ Process for climate-related risks is integrated into overall risk management

	Please describe

Supporting the transition to a low carbon future is an integral theme in the way we manage our portfolios and stock selection, engage with companies and industries, and support public policy advocacy in collaboration with other investors.

In addition to our portfolio level approach, we consider the carbon efficiency of one security versus another. Examples include high carbon industries e.g. oil & gas producers and refiners, building materials, electric utilities, automobiles, and chemicals. For all industries we consider trends in GHG emissions as part of our environmental review of companies and seek companies that help other companies be more carbon efficient such as via energy efficiency or renewable energy.

Since 2003 Boston Common has actively engaged companies on climate change issues across the portfolio including oil & gas, electric and gas utilities, banking and finance, technology, pharmaceuticals, retail, automobiles and transportation, and real estate.
Boston Common staff co-chaired ICCR's Global Warming Working Group for three years and we are active in climate related shareholder engagements by Investor Network on Climate Risk, Principles for Responsible Investment, Carbon Action and CDP.

○ Process for climate-related risks is not integrated into our overall risk management

SG 14.9 CC	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Continuing our leadership on this multi-year, global initiative launched in 2014 and backed by over 100 investors with $2 Trillion in assets Boston Common benchmarked 59 of the world's largest banks, on their alignment with the Taskforce on Climate Related Financial Disclosures (TCFD).

We found 95% now have some governance for climate issues, with 71% implementing some level of restrictions to the most intensive high carbon sectors. 32 of the banks assessed also committed to support the TCFD at some level including our portfolio companies Barclays, Itau Unibanco, JP Morgan Chase, Standard Chartered and TD Bank.

○ No, we do not engage

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

14.8

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	% of AUM

4.8

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

Brief description and measures of investment

Examples of our clean technology investments include a manufacturer of steam management systems and pumps which offers sustainable solutions that help its customers improve process efficiency and achieve energy and water savings. We also invest in a consumer cylical company which manufactures several environmentally beneficial products, such as energy-efficient roofing systems, LEED-certified coatings, 100% recyclable roofing tiles, and compostable dinnerware.

☑ Renewable energy

Asset class invested

☑ Listed equity

% of AUM

1.8

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

Brief description and measures of investment

Portfolio holdings include Orsted, a Danish company that is one of the world's largest offshore wind energy developers, and Orix Corporation which has established a wholly-owned subsidiary that operates, manages and maintains power plants using renewable energy.

☐ Green buildings

☐ Sustainable forestry

☐ Sustainable agriculture

☑ Microfinance

Asset class invested

☑ Listed equity

% of AUM

1.7

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

Investments in Microfinance include holdings in Indonesian and Turkish commercial banks. The Indonesian bank is a leading provider of microfinance and small business financing (with a third of their business coming from this sector) while the Turkish bank is a leader in lending to small- and medium-enterprises (SMEs) and renewable energy funding.

- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Water
- ☐ Other area, specify

○ No

SG 15.4	Please attach any supporting information you wish to include. [OPTIONAL]

File 1:Boston Common SDG analysis.pdf