CLIMATE TRANSPARENCY REPORT 2020

Boston Common Asset Management

Copyright © 2017 PRI Association. All rights reserved

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 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-E35F66F6-C239-41DA-A28B-CCEB54FF1ECB/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). 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 2020 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.

Copyright © 2017 PRI Association. All rights reserved

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
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 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 14.6 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				

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.	

Copyright © 2017 PRI Association. All rights reserved

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	79% from 38 Voluntary indicators

Copyright © 2017 PRI Association. All rights reserved

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.

Copyright © 2017 PRI Association. All rights reserved

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.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Boston Common has undertaken research on the transition pathway to a lower carbon economy in several sectors.

We conducted original research on bank financing of energy-intensive sectors through our Banking on a Low-Carbon Future initiative. In 2019 we published our fifth annual study of global banks' preparation for the shift to a lower carbon economy with a focus on implementation and action. Our report found that the explosion of risk assessment tools and green banking industry initiatives in recent years has had little impact on commercial behavior including the expansion of fossil fuel financing. We are now facing a climate crisis, and global emissions are expected to grow beyond 2030. Given this work covers 58 banks globally, this also helps us to identify relative best practice players to inform our investment decision-making and prioritize engagement actions.

As investors and environmentalists we are concerned by the colossal waste and inefficiency in energy use; some 60% of the energy used annually in the U.S. is wasted. We know that 50% of the de-carbonization goals to achieve a 2°C limit must come from energy efficiency. Clearly, doing more with less is imperative. In response, we launched our Eco-Efficiency initiative in 2015, our call to action to corporations to increase their resource productivity and cut resource use-namely energy, emissions, water, and waste. We convened an investor coalition of $1 trillion in assets under management in support of our asks. We detail in our 2019 report 'Improving Efficiency, Unlocking Returns' our call to action for companies to increase their resource productivity and cut resource use-namely energy, emissions, water, and waste. Our Eco-Efficiency framework has been used to engage close to 50 portfolio companies over the past two years with specific recommendations to catalyse action steps to improve the underlying ESG momentum.

○ No

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

◉ Yes

Copyright © 2017 PRI Association. All rights reserved

	Describe 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 preferring firms with energy efficient products and processes over those with more resource-intensive alternatives, and by engaging the companies we own across sectors to improve their energy use and water use and reduce waste especially plastic waste. In 2019 we accelerated the time horizon for the banking sector to commit to ambitious decarbonisation goals leading up to COP26 in 2020 with a shorter time horizon of five years to change the inflection point by 2030 to align with the Paris Goals.

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 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 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 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. In 2019 we decided to no longer invest in any fossil fuel sector companies and redeploy to sectors that provided better ESG opportunities.

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 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-

Copyright © 2017 PRI Association. All rights reserved

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.

○ No

SG 1.10 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

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	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

Portfolio managers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Copyright © 2017 PRI Association. All rights reserved

	Investment analysts

☑ 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 that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Our firm's 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 CEO, President and CIO of International Strategies assist in designing our ESG approach and sit on the firm's Board of Directors.

Our approach to measuring carbon risk includes all relevant sectors - the energy and utilities sectors; 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.

Annually, the Board receives a complete review of our strategies, covering financial and ESG aspects, carbon footprint, and 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 is approved by the Board.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes 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 and our newly commitment to the Platform for Carbon Accounting Financials (PCAF). We have conducted carbon audits of all our model portfolios 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 14 person strong investment team is responsible for identifying companies that are developing innovative tools. For example the entire investment team (financial and ESG) discussed and agreed to move forward with no longer investing in fossil fuels. There was also an integrated approach to executing this decision from how to exit from these holdings and how to re-orient engagement away from fossil fuel companies. Our integration of ESG considerations has lead energy efficiency and renewable energy to become long running investment themes. We have sought

Copyright © 2017 PRI Association. All rights reserved

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.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

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

☑ Yes, in order to assess future ESG factors

Describe

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 case, and a pessimistic case. These take into account the operating environment, regulatory changes including climate regulations, disruption from other models, consumer preferences &societal changes.

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

Describe

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. We anticipate risks that cannot be diversified away.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

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

Copyright © 2017 PRI Association. All rights reserved

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	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

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

☐ Initial assessment

☑ Incorporation into investment analysis

	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.

☑ Inform active ownership

	Describe

Boston Common has conducted original research on bank financing of climate change through our Banking on a Low-Carbon Future initiative. In 2019, we published our fifth annual study of global banks' preparation for the shift to a lower carbon economy with a focus on implementation and action. Our report found that the explosion of risk assessment tools and green banking industry initiatives in recent years has had little impact on commercial behavior including the expansion of fossil fuel financing. We are now facing a climate crisis, and global emissions are expected to grow beyond 2030.

As investors and environmentalists, we are concerned by the colossal waste and inefficiency in energy use; some 60% of the energy used annually in the U.S. is wasted and does not do the work it was intended for. We know that 50% of the de-carbonization goals to achieve a 2°C limit must come from energy efficiency. Clearly, doing more with less is imperative. We reported on our Eco-Efficiency initiative in 2018, our call to action to corporations to increase their resource productivity and cut resource use-namely

Copyright © 2017 PRI Association. All rights reserved

energy, emissions, water, and waste.

☐ 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 your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

The time horizon of a long-only public equity owner is very long. We own a piece of a company that is a "going concern", that issues long-dated debt obligations, and has a web of relationships in its community, and in global commerce. Equities don't have a "term" like bonds, or an "exit date" like private funds do. So as equity investors, the goal of our analysis is to evaluate the present value of a series of cash flows, where our assumptions about the "terminal value" many years out is the largest single determinant of the discounted present value. In addition, since the value of a stock is substantially influenced by the systemic risks that bound, the overall health of the economy and the markets (the "beta", if you will), the investment horizon for climate-risk assessment is long indeed.

In addition, we invest on behalf of our clients, who are the beneficiaries of the assets we manage. The appropriate time horizon for our work is that of our beneficiaries, on whose behalf and in whose interest we invest. We live in a time of rapid change, witnessing the escalation of significant climate-related risks that are cumulative in nature, even as the window for impactful action to alter the trajectory of this risk is closing. No investor in the present time can be an agnostic bystander, ignoring climate-related risks that lie "beyond" our investment horizon.

We believe our chosen investment asset class, Public Equities, is the most efficient, effective vehicle for having Impact on climate-related risks, because equity ownership gives investors unique access to corporate management. Climate change is a systemic risk that pervades all sectors and regions; as such, it cannot be divested or diversified away. Equity investors have a unique opportunity and obligation to use their Voice, as stewards of capital, to hasten society's pivot away from harmful activities and climate risks, towards better solutions for a low-carbon future. We have found three elements to be key to successful change: sustained, proactive Engagement by investors, the creation of credible metrics, and the development of an ecosystem that supports best practice through monitoring, research, and benchmarking. Our stewardship efforts are geared toward all three elements.

Boston Common is a leader in Active Ownership and Stewardship, building coalitions, providing thought leadership, creating metrics, and supporting the eco-system that is critical for managing climate-risk through a low-carbon transition. Over the years, we have leaned into climate-risk in many ways: (1) engaged "difficult" sectors on"fracking" climate risks; (2) engaged the "demand" side, seeking energy-productivity from portfolio companies with the highest GHG emissions; (3) taken on political contributions and lobbying disclosures to address the issues of corporate control of policy, in a time of deregulation and rapid growth of climate-related risks.

Our most extensive engagement has been with banks and systemically important financial companies, where we have prioritized the largest financiers of carbon-intensive industries. Our goal here is to align the timeframe of the loan underwriters with that of the equity owner.

Copyright © 2017 PRI Association. All rights reserved

○ No

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

☑ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Copyright © 2017 PRI Association. All rights reserved

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

Copyright © 2017 PRI Association. All rights reserved

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	759	673	101
Currency	USD				
Assets in USD		2	759	673	101

	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

☐ None of the above

Copyright © 2017 PRI Association. All rights reserved

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 14.5	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	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Copyright © 2017 PRI Association. All rights reserved

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	
Total carbon emissions	☐ All assets ☐ Majority of assets ☐ Minority of assets			
Exposure to carbon-related assets	☐ All assets ☐ Majority of assets ☐ Minority of assets			

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

⦿ Processes for climate-related risks are 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. 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. In 2019, we made the decision to exclude companies primarily engaged in industries related to fossil fuel production. This includes companies primarily engaged in the extraction, exploration, production, manufacturing or refining of fossil fuels.

We believe that markets have historically misvalued climate-related risks embedded in a company's operating environment. In addition, businesses with processes that proactively incorporate carbon risk into their planning and have historically sought to reduce the carbon intensity of operations will be better insulated than peers from the risks of increasing carbon-price-discovery. The exploration of environmental risks and opportunities has formed a fundamental part of our analysis since the founding of our firm.

Copyright © 2017 PRI Association. All rights reserved

We are a seasoned team of analysts and portfolio managers, with experience in managing risk while also preserving opportunity. We have also instituted many process checks along the way to ensure that our portfolio of 50-70 names selected from research-driven conviction, is also financially sound, attractively valued and diversified. Our portfolio construction teams balance stock level climate risk against their broader view of the business cycle, weighting stocks so that the composite mix best reflects our forecast for economic growth, inflation, interest rates, commodity prices, and currency movements in different parts of the world. However, climate risk underpins our sector and regional bets as well, as we avoid fossil-fuels-dependent sectors, currencies or regions.

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 shareowner engagements by Investor Network on Climate Risk, Principles for Responsible Investment, Carbon Action and CDP.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Boston Common Asset Management, in partnership with a number of regional partners, engaged 58 of the world's largest banks, including HSBC, JP Morgan Chase, BNP Paribas and MUFG. The research identifies some progress in terms of governance, with a majority of banks endorsing the TCFD guidelines (69%), disclosing TCFD governance reforms (71%) and carrying out climate risk assessments (78%).

However, the new research shows these tools are not impacting on decision-making, with 40% of banks failing to develop any new financing or investing exclusions/restrictions as a result of their climate risk assessments.

The result is superficial progress, where over 80% of banks have announced low carbon products and services, but financing for fossil fuels continues to increase each year. The report notes that the green bond industry has grown from just $1 billion a decade ago to over $200 billion in 2019 alone, but this is dwarfed by investment in fossil fuels, totaling $1.9 trillion from 2016-2018.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

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.

	%

14.85

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.

Copyright © 2017 PRI Association. All rights reserved

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

3.6

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identify companies that promote energy and resource efficiency in the world through their products and services combatting climate change, reducing pollution, and driving long-term sustainability. In each category we identify:

Solutions companies which are defined as those companies in which more than 50% of revenues are derived from solutions activities. We have only included our portfolio level exposure to solution companies in these percentages.

Exposure Companies which are those companies in which some portion of their revenues are derived from solutions activities. This portion comprises less than 50% of their total revenues.

Total Exposure - The percentage of the portfolio which is invested in both solutions companies and companies with exposure to solutions activities.

We have attached a sample of our analysis for two of our largest strategies - our International (EAFE) portfolio and our U.S. Core Portfolio.

☑ Renewable energy

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

3

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identify companies that generate renewable energy or manufacture components or equipment that enable renewable energy generation. Other companies expand the market for renewables by being major purchasers or having committed to the RE100 standard to source 100% renewable energy globally by 2050.

Copyright © 2017 PRI Association. All rights reserved

☐ Green buildings

☐ Sustainable forestry

☐ Sustainable agriculture

☑ Microfinance

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

1.3

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identifiy companies expanding access to financial products and services for underserved populations and/or SMEs through specialized models or offer impact, green, or ESG products, promoting social and environmental equity.

☐ SME financing

☑ Social enterprise / community investing

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

0

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identify companies making investment directly into low-income or disadvantaged communities through channels such as community development programs, credit unions, loan fund and microfinance initaitives. These companies contribute to building sustainable, equitable, and livable communities and cities.

☐ Affordable housing

☑ Education

Copyright © 2017 PRI Association. All rights reserved

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

0

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

Brief description and measures of investment

We identify companies that contribute to education, learning, and knowledge-sharing, building the human capital, infrastructure, and mutual understanding necessary for development and safeguarding human rights.

☑ Global health

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

1.3

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

Brief description and measures of investment

We identify companies that ensure health and well-being for society at all levels. They increase distribution capacity and affordability for priority populations. Alternatively, they address rare or life-threatening diseases and increase access to hygiene or sanitation.

☑ Water

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

1.8

Copyright © 2017 PRI Association. All rights reserved

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identify companies that increase access to water and sanitation, manufacture equipment that improves or protects water quality, or enable the transition to a circular economy.

☑ Other area, specify

Sustainable Transportation

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

3.2

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

	Brief description and measures of investment

We identify companies that enable carbon neutral or less carbon-intensive transportation and mobility, combatting climate change, minimizing pollution, reducing urban sprawl, or delivering services to under-served communities.

○ No

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

File 1:BCAM Quantified Portfolio Exposure to UN SDGs.pdf

Copyright © 2017 PRI Association. All rights reserved