

PORTFOLIO CARBON FOOTPRINT

REPORT SNAPSHOT 2018

Portfolio carbon footprint analysis is a crucial tool to measure greenhouse gas (GHG) emissions and carbon risk at the company and sector levels. Boston Common is an early signatory and ambassador to the UN PRI supported Montreal Carbon Pledge. With over 120 global investors and US\$10 trillion assets, the Pledge encourages investors to better understand climate-related impacts, risks, and opportunities by evaluating and disclosing the carbon footprints of their portfolios.

Our approach to measuring carbon risk goes beyond the energy and utilities sectors; we consider risk in transport, shipping, agriculture, banks, and insurance companies.

Our portfolios' carbon footprints inform our investment decision-making process. We seek companies that are not only making efforts to reduce their GHG emissions, but also those that have demonstrated low-carbon footprints. We complement this assessment by avoiding 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.

Signatory of:



Overall, our major strategies produce fewer emissions and are less carbon-intensive than their respective benchmarks, primarily due to stock selection.

Methodology

Boston Common uses normalized metrics for total emissions and carbon intensity to analyze the carbon footprints of our portfolios. Companies report their GHG emissions data through the CDP, which serves as a database for public companies' carbon information, and Boston Common extracted the CDP data through MSCI. MSCI ESG Research collects greenhouse gas emissions data annually for a universe of about 9,000 companies from most recent corporate sources, including Annual Reports and Corporate Social Responsibility Reports. When companies do not disclose, MSCI uses a proprietary methodology to estimate direct (Scope 1) and indirect (Scope 2) GHG emissions.¹

CARBON EMISSIONS

What is my portfolio's normalized carbon footprint per million dollars invested?

CARBON INTENSITY

How efficient is my portfolio in terms of emissions per unit of output?

Source: MSCI

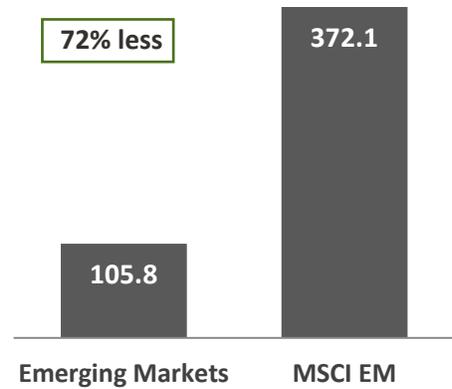
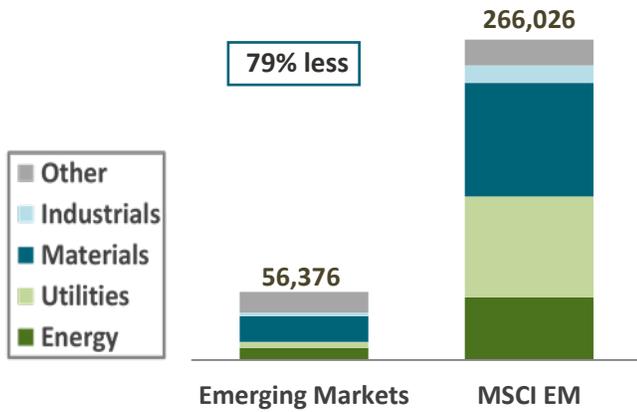
¹Scope 1 refers to direct GHG emissions from sources that are owned or controlled by the reporting entity. Scope 2 refers to indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off-site but purchased by the entity.

Results

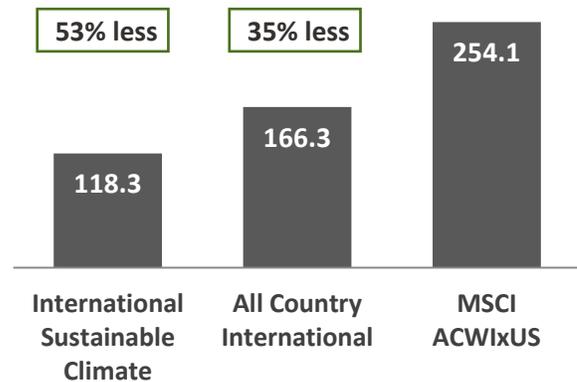
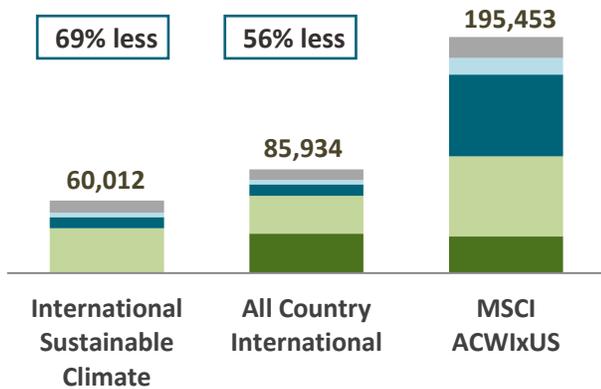
Total Carbon Emissions (tons CO2e) by Sector for 1\$ Million Invested

Carbon Intensity (tons CO2e) for \$1 Million Company Revenue

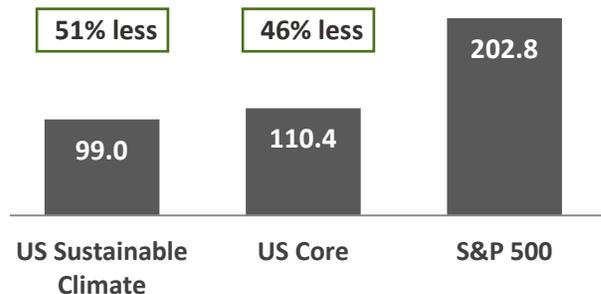
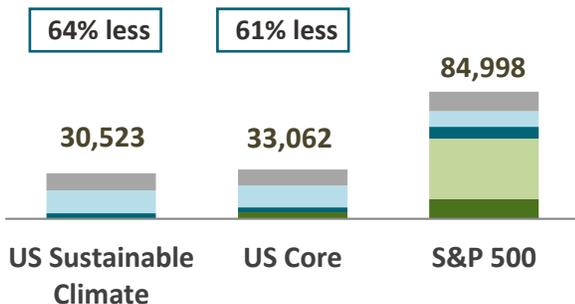
Emerging Markets Strategy



International Sustainable Climate Equity & All Country International Equity



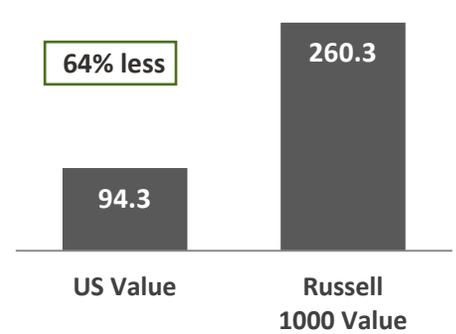
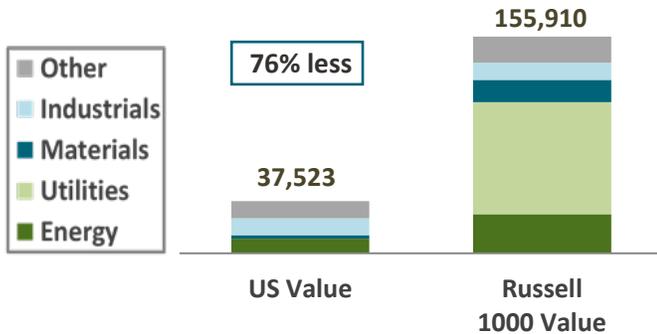
US Sustainable Climate Equity & US Large-Cap Core Equity



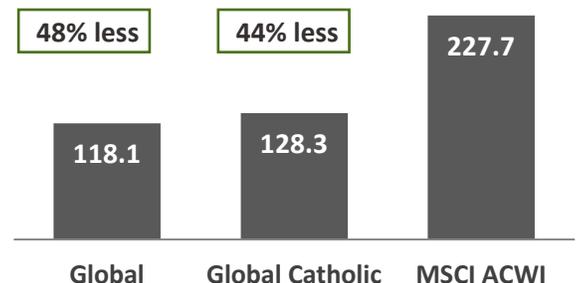
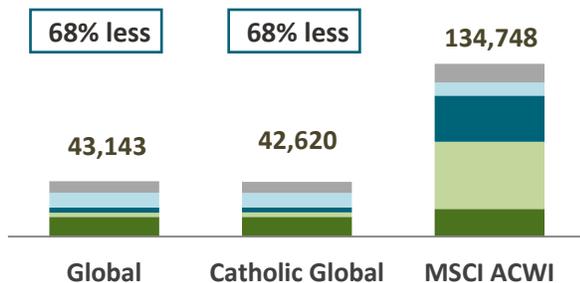
**Total Carbon Emissions (tons CO₂e)
by Sector for 1\$ Million Invested**

**Carbon Intensity (tons CO₂e) for \$1
Million Company Revenue**

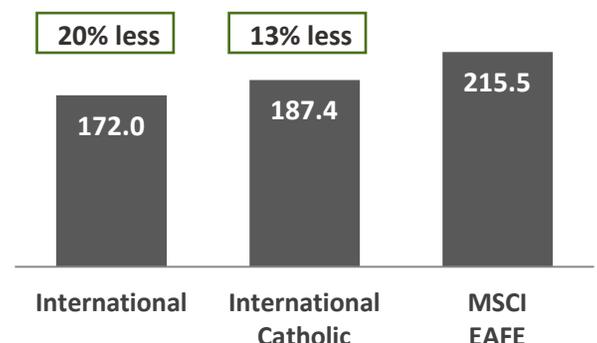
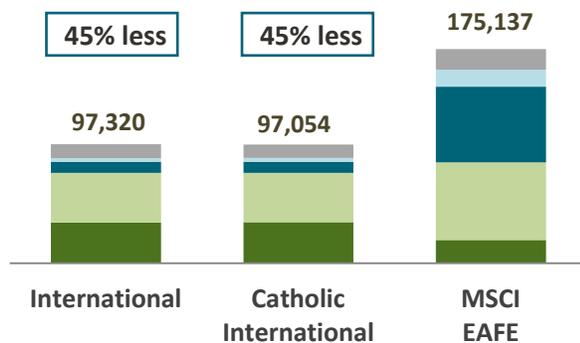
US Value



Global Equity & Global Catholic Positive Equity



International Equity & International Catholic Equity



The charts above depict the normalized carbon footprint of each portfolio in **Tons of CO₂ invested per \$1 million**. A normalized measure of a portfolio's contribution to climate change enables comparisons with a benchmark, between multiple portfolios, and over time, regardless of portfolio size. MSCI's ESG products and services are provided by MSCI ESG Research Inc. and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research is produced by MSCI's indirect wholly-owned subsidiary MSCI ESG Research Inc., a Registered Investment Adviser under the Investment Advisers Act of 1940. Scope 1 refers to direct GHG emissions from sources that are owned or controlled by the reporting entity. Scope 2 refers to indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off-site but purchased by the entity. Portfolio and benchmark holdings were as of March 31, 2018. Carbon emissions data used was for FY 2016, the most recent year available. Carbon emissions do not represent the absolute emissions of companies held in the portfolio or relative benchmark but rather the sum of each holding's emissions proportional to the amount of stock held by the portfolio or benchmark.

Aligning with the Taskforce on Climate-related Financial Disclosures (TCFD)

Under our **Banking on a Low Carbon Future** and **Eco-Efficiency** initiatives, we have asked banks and other major companies to adopt and disclose using the TCFD framework. As we are committed to ‘walk our talk’ in our portfolio strategy and engagement, we also report against it for our firm here.

Climate Governance at Boston Common:

Boston Common seeks to invest for the long term: thus climate risk sits at the heart of our strategy. We consider risks and opportunities arising from the transition to a low-carbon economy – in particular, risks arising from emerging regulation and trends in consumer and public behavior. Responsibility for our approach to climate-related risks and opportunities ultimately lies with our senior management team and Board.

Climate strategy

Our investment strategy favors companies with energy-efficient products and processes over those with more resource-intensive alternatives and aims to foster the low-carbon transition. We exclude coal companies from our portfolio and invest in those companies able to optimize clean energy use – or where there are opportunities to improve energy efficiency through shareowner engagement.

Our process is to look across all sectors in assessing climate-related risk and opportunity, in terms of products, processes, and policies. We identify both the leaders and laggards in developed and emerging markets. Our analysis also pays attention to less-appreciated practices, such as the use of fuel-efficient vehicles by healthcare product sales force.

Risk Management

Climate risk is built into all our risk management practices.

Our investment process assesses portfolio companies on climate-related performance, and the potentially lagging companies are avoided. Our engagement efforts further

highlight the impacts of the transition to a low-carbon economy to senior management of portfolio companies (as well as competitors in entire sectors), to create preparedness, management structures, and leadership that can avoid climate risks. We therefore expect our portfolio holdings to be more prepared, less vulnerable, and positioned to benefit from opportunities created by society’s transition to a low-carbon economy.

However, we may be taking on some “path risk” as policy choices and slow adoption change the trajectory of the transition. We are also monitoring technological changes, the resulting disruption and shifting comparative advantages they create, and valuation changes and volatility in portfolio holdings, as we navigate global equity portfolio management.

Metrics

We have helped create metrics and practical assessments in a variety of sectors on climate-related factors, e.g. **methane and water stewardship in hydraulic fracturing**, lending practices, investments and governance in banks. These elements are less covered by the sweeping reach of ESG data providers, yet have crucial impact on climate-risk. As covered in detail in our last **Impact Report** we have helped devise ESG disclosure metrics in areas such as human rights, harmful chemicals, fracking, nutrition and solar photovoltaic modules. By adding meaningful measurements and comparative assessments on such metrics, we can help change outcomes for our investments and society and a whole.

Next Steps

As climate metrics evolve and scenario analysis matures, we are exploring opportunities to include Scope 3 (all indirect emissions that occur in the value chain) of the companies we invest in for our future reporting.



Boston Common is proud to be a Certified B Corporation®. B Corporations are leaders for the global movement of people using business as a force for good™. Certified B Corporations meet higher standards of social and environmental performance, transparency and accountability. The performance standards B Corps meet are comprehensive, transparent and verified. They measure a company’s impact on all its stakeholders (e.g. workers, suppliers, community, customers, and the environment). B Corps are important because they inspire all businesses to compete not only to be the best in the world, but to be the best *for* the world.



Real Impact Tracker is a new tool to help investors find money managers that are committed to creating positive social and environmental benefits with their investments. For its Certified Community, Real Impact Tracker assesses and recognizes those investment managers creating impact across strategic categories, including: fully integrating ESG considerations into their investment processes, in-depth shareowner engagement, and publicly advancing environmental and social initiatives through their thought leadership.

