



BOSTON COMMON ASSET MANAGEMENT, LLC

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ACTIVE INVESTOR SOCIAL UPDATE
THIRD QUARTER, 2006

Dear Friend,

During the fall, we look forward to meeting with clients, re-connecting with colleagues, and rolling out new shareholder advocacy initiatives for 2007. In the next year, Boston Common will continue to advance our clients' interest in internet privacy and censorship, product and workplace safety, global climate change, sustainable finance, and executive compensation. In addition to working on our research and advocacy platform, Boston Common recently conducted an energy audit of its operations to prepare the firm to go carbon neutral. We are pleased to report that public transport accounted for 91% of our total employee commuting this past year, and we will use carbon credits to offset our emissions from 2005 forward. As always, we welcome your comments and participation in the advocacy initiatives outlined below.

Lauren Compere, Director of Shareholder Advocacy

Steven Heim, Director of Social Research

Dawn Wolfe, Research and Advocacy Analyst

Human Rights

Boston Common is co-leading a dialogue with **Marriott International** on **sexual exploitation of children in the hotel industry**. This year, Boston Common and its clients have met on three occasions with Marriott's Human Rights Task Force. The Task Force was formed in response to our shareholder proposal, and is charged with developing new policies to target the sexual exploitation of children at the hotels Marriott operates around the globe. Boston Common provided feedback on proposed changes to Marriott's human rights policy, its code of conduct, and an issue report Marriott will publish as a result of our shareholder resolution. Marriott has revised its human rights policy to address the protection of children directly and has implemented employee training to raise awareness about the connections between child sexual exploitation and hotels. Management is also encouraging its global hotel network to identify local partners to aid in reducing the exploitation of children at its establishments.

Boston Common continues to lead shareholder engagement with **Microsoft** on privacy and censorship in the global technology marketplace. In September, we drafted a shareholder sign on letter asking Microsoft to disclose more fully

its activities relating to **internet privacy and censorship in China**. We told Microsoft that the Chinese government's manipulation of Microsoft's search engine MSN China and its blog tool MSN Spaces erodes user trust and threatens its brand integrity.

Workplace

Boston Common and its clients joined global affiliates of the International Metalworker's Federation in calling for resolution to a labor dispute at **Toyota Motor Philippines** on the international "Day of Action", September 12th, 2006. Our concern over **labor relations** at Toyota Motor Philippines dates to 2001, when Steven Heim approached the company following the illegal dismissal of over 200 workers seeking union recognition. The International Labour Organization and the Supreme Court of the Philippines have challenged the actions of Toyota Motor Philippines, but the workers have not been reinstated. On the "Day of Action", unions from Australia to India to the Ukraine urged the Japanese government to influence Toyota to resolve the conflict. Boston Common and its clients have asked the presidents of Toyota Motor Corporation and Toyota Motor Philippines Corporation to outline concrete measures Toyota will take to resolve the longstanding dispute and uphold workplace rights.

In 2003, workers represented by the United Steel Workers went on strike at the Arkansas plant of Gamma Holding NV, which is majority-owned by Dutch financial giant **ING Groep**. Gamma Holding hired permanent replacement workers, and has refused to rehire the union workers as a **condition of ending the strike**. Boston Common is requesting that ING influence Gamma to resolve the conflict in a manner consistent with its internal codes on labor rights.

Last spring, Boston Common helped organize an initiative at the Interfaith Center on Corporate Responsibility (ICCR) to survey electronics companies on **working conditions at supplier factories**. About half of the 15 companies surveyed have responded. ICCR members may file shareholder proposals with some of the U.S. companies that have been unresponsive. Boston Common and its clients recently surveyed four additional companies: **Sharp, Taiwan Semiconductor, Siliconware Precision, and Samsung Electronics**. Responses will be included in the ICCR benchmarking survey.



In partnership with Naropa University, Boston Common contacted all companies in its small cap portfolios that do not have **at least one woman on their Board of Directors**. Lack of a diverse leadership concerns us as given growing evidence that positive benefits accrue to companies that embrace diversity. These benefits include a greater range of thought and perspective, which can lead to higher quality decision-making, and a broadening of the Board recruitment pool, which can help a company uncover the most qualified candidates. So far, we have received responses from over 35% of the companies, and will attempt dialogue with those that have no strategic plan to improve board diversity.

Environment and Climate Change

Steven Heim toured **Sunoco's** largest refinery and emergency response center as a member of the company's **Ceres advisory team**. The Philadelphia refinery processes 250,000 barrels of oil per day to produce gasoline, diesel, jet fuel, propane, and heating oil. Steven discussed Sunoco's environmental strategy with the CEO and other executives.

For the second consecutive year, Boston Common organized a September shareholder meeting with **Apache Corporation** CEO Steve Farris to discuss Apache's response to global warming and climate change. The shareholders urged Apache to do more to incorporate climate risk into its business planning and to set public targets for reducing its greenhouse gas emissions. In response to our requests, Apache published its second report to the Carbon Disclosure Project, an international investor initiative representing \$31 trillion in assets (www.cdproject.net). Apache also posted data on its website related to greenhouse gas emissions.

Human Health

Henkel KGaA, a German chemicals and household products company, is the name behind Purex laundry detergent, Dial soap, and Duck brand duct tape. In 2005, we launched a dialogue with Henkel on the use of safe alternatives to toxic chemicals in household products. This quarter, we expanded our dialogue to the use of **polyvinylchloride (PVC) in product packaging**. Boston Common, together with the Jesse Smith Noyes Foundation and the Center for Health, Environment, & Justice, spoke with Henkel about PVC packaging for LA LOOKS, CitreShine, Dep, and got2b hair styling products. The vast majority of Henkel's products are no longer packaged in PVC in Europe, but some U.S. product lines

acquired by Henkel are still packaged in PVC. While these product lines account for less than 1% of the company's total packaging, they account for over 40% of all hair gel ounces sold in the U.S. Boston Common is urging Henkel to publicly commit to phasing out the use of PVC packaging in all products in the next two to three years. For more information on the effects of PVC, see <http://www.besafenet.com/pvc/>.

In September, Boston Common participated in a conference call with senior representatives from the General Merchandising, Private Brand Quality, and Community Affairs divisions of U.S. pharmacy chain **Walgreens**. We co-filed a resolution with Walgreens in April on the use of **safer alternatives in private label cosmetics**, an initiative similar to one we led with **CVS Corp** in 2005. We brought issue experts into the discussion with Walgreens representatives, including leaders from the Campaign For Safe Cosmetics (www.safecosmetics.org) and the Investors Environmental Health Network, of which Boston Common is a founding member.

In August, Lauren Compere attended the **16th International AIDS Conference in Toronto**. The conference witnessed the launch of the ICCR report "Benchmarking AIDS: Evaluating Pharmaceutical Company Responses to the Public Health Crisis in Emerging Markets". The report is based in part on information provided by Boston Common on European pharmaceutical firms, including **GlaxoSmithKline** and **Novartis**. The report finds room for improvement in pharmaceutical company efforts to develop new medicines to address neglected diseases and to provide the poor with access to existing medicines. The report also provides a scorecard for evaluating a company's response to HIV/AIDS and to diseases that accompany the virus, such as tuberculosis.

While in Toronto, Lauren met with representatives of **Barrick Gold**, including its chief medical officer, to discuss **community relations and health issues** for the world's largest gold company. In advance of our meeting, Barrick surveyed its global operations to get more information on each site's actions to address HIV/AIDS at the local level. The company plans to develop a global health policy addressing critical health issues, and Boston Common will continue to engage the company throughout the development process.

During the ICCR annual event, Boston Common met with representatives from **Dell** to discuss the progress that it has made in the last six months in extending its **employee education and awareness programs on HIV/AIDS**. We were encouraged to learn that Dell is expanding its employee education programs this year to sites in India and Brazil.