



## BOSTON COMMON ASSET MANAGEMENT, LLC

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ACTIVE INVESTOR SOCIAL UPDATE  
FIRST QUARTER, 2007

*Dear Friend,*

*In 2007, Boston Common is carrying out a broad-based advocacy plan to support our clients' environmental and social missions. Already this year we've experienced a landmark success in the campaign to reign in executive pay and had the fortune to work with many of you directly on campaigns for vehicle emissions reductions and safer baby bottles. In addition, March marked the height of proxy voting season. Boston Common is using its clients' share ownership to support progressive proposals in key areas such as corporate political giving, climate change, and workplace discrimination. We look forward to another successful year for active shareowners and welcome your participation and feedback.*

*Lauren Compere, Director of Shareholder Advocacy  
Steven Heim, Director of Social Research  
Dawn Wolfe, Research and Advocacy Analyst*

### Workplace

In January, Boston Common hosted Robert Malone, Chairman and President of **BP** America, for a discussion on the findings and recommendations of its Independent Safety Review Panel chaired by former secretary of state James A. Baker III. The panel was formed in the wake of a March 2005 explosion at the BP Texas City Refinery to assess BP's corporate oversight of **safety management** systems and its corporate safety culture. At Boston Common, BP restated its commitment to adopt all recommendations made by the Panel. The recommendations include the creation of a new Safety and Operations function that will report directly to the Group Chief Executive and the hiring of a 60-person operations and safety audit team. BP also committed to producing a bi-annual report for shareholders that will chart its progress toward implementing safety management improvements and expanded employee training.

### Corporate Governance

As the result of a successful dialogue led by Boston Common, insurance company **Aflac** has committed to become the first U.S. company to allow **shareholders to vote on executive pay**. Aflac's ground-breaking decision means shareholders

will cast non-binding 'yes' or 'no' votes on the company's executive compensation packages starting in 2009. We expect the vote will improve communication between investors and directors, encourage pay-for-performance practices, and act as a counterweight to unwarranted upward pressure on compensation for executives.

Boston Common routinely votes on executive compensation packages in the **U.K.**, **Australia**, **Sweden**, and the **Netherlands**, where advisory votes are required. Given our concern with the decoupling of pay from performance and the widening gap between CEO compensation and the average U.S. worker, Boston Common will continue advocating for say-on-pay reform.

Corporations increasingly are using trade associations as conduits for channeling corporate dollars into politics. Boston Common successfully led a proposal at **Colgate-Palmolive** this proxy season to halt the potential use of its trade association payments as an avenue to **corporate political giving**. As the result of our dialogue, the company agreed to prohibit explicitly the use of any company dues or contributions for political expenditures by trade associations. Colgate-Palmolive also publicly announced annual monitoring and disclosure procedures covering all U.S. trade associations to which it pays dues and all donations that exceed \$15,000.

In March, the **proxy-voting season** entered full swing, allowing shareholders to express their views on corporate social practices through voting on resolutions. Among the 455 pending shareholder proposals this year are numerous proposals on linking pay to performance, expanding equal employment protections, improving animal welfare, and protecting human rights. Resolutions on global warming are particularly prominent. Lauren discussed current proxy issues on "Ethical Investing", a monthly series of the Christian Science Monitor. The interview is available on our website.



*President of BP America Robert Malone at Boston Common responding to questions regarding BP's safety record and the Baker Panel findings.*



## Human Health

New cosmetic safety legislation in **California** has sharpened consumer and corporate focus on the presence of **toxic chemicals in cosmetics**. Boston Common has been raising the issue of cosmetic safety at **CVS** for the past two years, where our shareholder proposal in 2006 received 8% support. CVS is a retailer of brand-name cosmetics and a manufacturer of private label cosmetics. Boston Common will meet with senior CVS management next quarter to discuss CVS' adoption of a cosmetic safety policy. CVS agreed to adopt a policy by year-end as a result of our 2007 proposal.

Boston Common, joined by several clients, sent letters to **Novartis** and **Philips Electronics** regarding the use of **bisphenol A in plastic baby bottles**. Bisphenol A is a chemical used to harden polycarbonate plastics, and even low-levels of exposure have caused neurological and hormonal damage in lab animals. In addition, a recent Environment California study ([www.environmentcalifornia.org/environmental-health/stop-toxic-toys](http://www.environmentcalifornia.org/environmental-health/stop-toxic-toys)) concludes that baby bottles can leach dangerous levels of bisphenol A when heated. Our inquiry coincides with a potential billion-dollar class action lawsuit on this issue filed against six baby bottle manufacturers, including Novartis and Philips subsidiaries **Gerber** and **Avent**. Boston Common is inquiring into plans to remove bisphenol A from baby bottles and improve chemical safety for all products. We will continue this initiative with **Nestle** upon its completed purchase of Novartis' Gerber division.

Boston Common met with **Henkel** representatives at our offices in February to discuss the company's **sustainability strategy**, its use of **PVC packaging** in the U.S. market, and its relationship with retailers in North America. Henkel is a German chemicals and household products company that acquired **The Dial Corporation** in 2004. At the meeting, we renewed our call for Henkel to formalize and accelerate efforts to phase out PVC from all product packaging.

As Co-Chair of the ICCR Access to Health Working Group, Lauren authored "**How and Why: Corporations Responding to AIDS**", a white paper published in the March issue of *The Corporate Examiner*. The paper explores the business case for a corporate response to **HIV/AIDS** in **China** and **India**, where prevalence rates are on the rise and the economic impact could be significant. The paper also provides a best-practice framework for addressing HIV/AIDS through a global health policy that also tackles **tuberculosis and malaria**. For a copy, please contact our office.

## Environment

The SEC in March ruled that **Dean Foods** could omit from its 2007 proxy statement Boston Common's shareholder proposal on Dean's **sourcing of organic milk** from factory farms for its **Horizon Organic brand**. While disappointed by the SEC decision, Boston Common and co-proponents of the resolution issued a press release (available via our website) questioning Dean Foods' approach to organics and its decision to wage a legal battle against our proposal. For the past year, a nationwide boycott of Dean's Horizon Organic milk has led to dozens of retailers pulling some or all of Horizon's products from their shelves.

In March, Boston Common withdrew the shareholder proposal it co-filed at **PepsiCo** when the company agreed to push for an industry report on **beverage container recycling**. As part of the dialogue, PepsiCo reported its progress on various recycling initiatives, such as maintaining an industry-leading 10% post consumer recycled content in its U.S. plastic PET bottles and reducing beverage container weights.

Boston Common, together with institutional investors managing a combined \$4 trillion, has urged Congress to enact strong federal legislation to curb **global climate change pollutants**. Ceres and the Investors Network on Climate Risk organized the group that issued the "**Climate Call to Action**," a statement outlining the business rationale for reducing greenhouse gas emissions. In April, Steven joined **Vermont State Treasurer Jeb Spalding** in a meeting with **U.S. Senator Bernard Sanders (I-VT)**. Sanders is the lead sponsor of the strongest climate change bill pending in Congress. Steven shared how shareholders have urged companies to disclose risks and take action on climate change, citing Boston Common's long-term engagement with **Apache Corp.**

## Human Rights

Boston Common continues to participate in multi-stakeholder discussions on **free expression and privacy** challenges faced by global technology companies. The dialogue, facilitated by the Center for Democracy & Technology and Business for Social Responsibility, involves academic groups, NGOs such as **Amnesty International & Human Rights Watch**, and representatives from companies including **Microsoft** and **Vodafone**. Boston Common is helping draft a set of industry principles to increase online privacy, free expression, and personal security protection.