



BOSTON COMMON ASSET MANAGEMENT, LLC

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Dear Friend,

Annual shareholder meetings and proxy voting results are defining characteristics of the second quarter. During this season, Boston Common leverages the share ownership of its clients to raise awareness of environmental, social, and governance concerns. Unlike past seasons, however, our right to continue filing shareholder proposals is at risk. In May, the Securities and Exchange Commission held a series of roundtables to explore the possibility of restricting or eliminating the shareholder resolution process altogether. As described below, Boston Common is working with the investment community at large to defend shareholder access to the proxy and the right to press for change on issues important to our clients and essential to sustainable long-term growth.

Sincerely,

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

Environment

Transportation is an immense challenge in the fight to slow **global warming**. Cars and light trucks account for 40% of U.S. oil consumption and 20% of the nation's carbon dioxide (CO₂) pollution. Over 60% of U.S. transportation sector emissions are attributable to passenger automobiles. In response to this challenge, Boston Common has asked several portfolio companies to minimize their corporate car fleet emissions. Swiss pharmaceutical firm **Novartis** has a large sales force and told Boston Common that 29% of its direct CO₂ emissions are attributable

to its fleet of owned and leased vehicles. To minimize these emissions, Boston Common is encouraging Novartis to select the most fuel-efficient model in any given vehicle class, restrict upgrades as a perk, and train employees on how to efficiently operate vehicles.

Together with the Investor Network on Climate Risk (INCR), Boston Common is asking car makers **Toyota, Honda, Volkswagen** and **Porsche** to disclose their responses to global climate change in business operations and product development. The co-signers of the letters included public pension funds CalPERS, CalSTRS, and **Connecticut** Retirement Plans & Trust Funds, the Treasurer of **California**, and both faith-based and socially responsible investors. These letters marked the start of a key INCR initiative for the coming year.

In May, Steven met in **Houston** with oil services firm **Baker Hughes'** general counsel and head of investor relations to discuss the company's first **sustainability report**. Baker Hughes organized a diverse team across its operating divisions to gather data and to develop its reporting framework using the Global Reporting Initiative and other reporting standards. The report, which is the result of a shareholder proposal filed by Boston Common last year, will highlight Baker Hughes' technologies that minimize the environmental impact of drilling for oil and gas, as well as corporate governance and anti-corruption initiatives in foreign operations.

Also in May, Steven spoke at the **Apache** annual meeting of shareholders in **Houston** to acknowledge the oil and gas company's progress on **climate change** since the record-breaking shareholder proposal we led in 2004. Since that time the company has publicly reported its greenhouse gas emissions and implemented additional projects to reduce them. Apache

2007 Annual Shareholder Meeting Participation

Company	Location	Action
Apache Corp	Houston, TX	Acknowledged firm's progress on greenhouse gas reductions and reporting since 2004
ConocoPhillips	Houston, TX	Presented shareholder proposal and called for respect of indigenous rights in Ecuador and Peru
Scotts Miracle Gro	Marysville, OH	Presented proposal opposed to lobbying against local pesticide-free park regulations
Aflac Inc	Columbus, GA	Acknowledged agreement to become 1 st U.S. company to let shareholders vote on executive pay
Target Corp	Cleveland, OH	Publicly highlighted ongoing use of toxic chemicals in private label products
Dean Foods	Dallas, TX	Publicly highlighted ongoing reliance on factory farms to supply organic milk

Boston Common has attended or provided entrance cards to the 2007 annual stockholder meetings of the companies noted above.



now considers global warming factors in its long-term business strategy. After the annual meeting, Apache CEO Steven Farris acknowledged that if more shareholders were like Boston Common, the industry would make good progress on these issues.

Human Health

In April, Boston Common met with **CVS** representatives to discuss the company's progress in responding to **cosmetic safety** concerns. Following a shareholder proposal filed by Boston Common last year, CVS agreed to make its cosmetic safety policy public. Boston Common is encouraged by the company's progress to date. CVS recently established a strategic partnership with British pharmacy **Alliance Boots**, an industry leader on cosmetic safety issues, and has expanded the number of natural based beauty brands it offers.

Last quarter, Boston Common and several of our clients contacted companies regarding use of the chemical **Bisphenol A** (BPA) in hardened plastic **baby bottles**. BPA was originally designed as a synthetic hormone and may cause neurological and hormonal damage if consumed. **Philips Electronics** confirmed with Boston Common that it expects to find a feasible alternative later this year. Boston Common also endorsed letters to U.S. food manufacturers, including **General Mills**, **PepsiCo**, **Kellogg**, **Wrigley**, and **SYSCO**, regarding BPA in food packaging.

Human Rights

In May, Lauren, Co-Chair of the International Working Group of the Social Investment Forum, led a high-level strategy meeting in **Washington, D.C.** on investor responses to **human trafficking**. Boston Common has expanded its efforts to address sexual exploitation of children in travel and tourism to **Carnival PLC**. Carnival is one of the world's largest vacation companies and serves seven million passengers annually. Boston Common is pressing Carnival to increase oversight of local vendors selected for on-shore entertainment packages and inform all passengers that child sex tourism is a crime.

At the **ConocoPhillips** annual meeting of shareholders, Steven presented our shareholder proposal on **indigenous peoples' rights**, filed on behalf of the Brethren Benefit Trust. Nearly one-quarter of the votes cast went against management's recommendation. This was the first year a shareholder proposal on indigenous peoples' rights was voted on by shareholders of ConocoPhillips. While in **Houston**, Steven met separately with ConocoPhillips staff and indigenous leaders from **Ecuador** and **Peru**. ConocoPhillips plans to expand its operations in the Amazon region of Peru, while Ecuador is a low priority.

Workplace

Boston Common has launched an initiative in its small cap portfolios aimed at increasing the **representation of women on the Boards of Directors** of 22 companies for which no women are currently serving. A diverse leadership team represents a variety of opinions and experiences and can have a positive influence on corporate decision making and financial performance. Boston Common is urging the Boards of Directors and the Board Nominating Committees to make diversity a priority and to begin taking measures to increase representation of women on each Board.

Corporate Governance

In May, Dawn spoke at the annual meeting of **Aflac** shareholders in **Columbus, Georgia**. Boston Common successfully led a proposal last quarter that resulted in Aflac becoming the first U.S. company to let shareholders **vote on executive compensation** packages. A public shareholder vote of confidence on executive pay packages can improve communication between investors and directors, encourage pay-for-performance practices, and counter upward pressure on compensation. Boston Common's proposal was highlighted in a recent ABC Nightline News piece and can be viewed at <http://abcnews.go.com/Video/playerIndex?id=3268731>.

The **Securities and Exchange Commission** (SEC) is considering drastically curtailing shareholder access to the proxy by restricting or possibly eliminating the **right of shareholders to sponsor advisory shareholder resolutions**. For over three decades, shareholder resolutions have been critical to advancing the aims of social investors. Boston Common is working with the investment community to make a strong statement to SEC Chairman Christopher Cox on the negative impacts of the proposed change. Chair of the House Financial Services Committee Barney Frank (D-MA) has agreed to hold hearings on the SEC's proposed changes. Boston Common has met with Frank's staff in **Washington, D.C.** to encourage swift action against the proposal and has sent open letters to the SEC Chairman on the importance of shareholder access to the proxy.

Boston Common co-filed a resolution on **political contribution** disclosure at **FedEx**. Early discussions have focused on FedEx's new employee political action committee policy. The shareholder group is encouraging FedEx to implement board level oversight on all political contributions and make the process transparent. Boston Common led a similar campaign with **Colgate-Palmolive** this year, leading to the company's explicit policy against use of its trade association payments for political expenditures.