# Active Investor Social Update
Third Quarter, 2008

BOSTON COMMON
ASSET MANAGEMENT, LLC

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*Dear Friend,*
*In the fall, we begin assembling our shareholder advocacy initiatives for the upcoming proxy season. We are excited to pursue new advocacy opportunities for our clients in 2009 and to continue many of the initiatives we have been working on this year. From climate change to child labor to executive compensation, we look forward to continued collaboration in pressing for positive social change at portfolio companies. As always, we welcome your comments, questions, and participation.*

*Warm Regards,*
*The Social Research & Advocacy Team*

## Environment

In September, Boston Common led a group of institutional investors in our fourth annual meeting with **Apache Corp.** CEO, Steve Farris. Farris favors a carbon tax over a "cap and trade" scheme as the best public policy to reduce **greenhouse gas (GHG) emissions**. Based on Apache's experience with natural gas trading, Farris believes a U.S. cap and trade system, whereby a limit is placed on aggregate GHG emissions and the polluters are permitted to determine if they will emit or trade their allocated limit, would be a boon for traders without efficiently measuring GHG reductions. We also discussed with Farris how Apache could expand its reporting on climate change and water use. Apache began reporting its greenhouse gas emissions following record-breaking support for Boston Common's climate change proposal filed with the company in 2004.

This quarter, Boston Common Asset Management reached out to several **Real Estate Investment Trusts (REITs)** to inquire what steps they are taking to address **climate change and rising energy costs**. REITs have the opportunity to reduce GHG emissions by integrating energy-efficient technologies into properties. Boston Common is asking the REITs in its portfolios to set public goals for improving the energy efficiency of the properties they maintain. This is an expansion of Boston Common's existing initiative on tackling climate change through the lens of improving efficiency in energy use. In 2007, Boston Common began engaging portfolio companies that maintain large corporate fleets. We continue to press those companies to improve the efficiency of their fleets through selecting fuel efficient vehicles in the appropriate class and reducing the use of four-wheel drive and six- and eight-cylinder engines when not required.

Members of the Social Research & Advocacy team attended the **Carbon Disclosure Project's (CDP)** 2008 Global Launch in New York. After collecting and analyzing carbon emission data from companies across the globe, CDP works to help investors and companies understand risks and opportunities associated with climate change. In its most recent report, the CDP notes that 77 percent of the responding Global 500 companies cited regulation as a key risk factor when implementing strategic investment decisions. This risk has equated to delays in business growth and new investments, such as renewable energy projects. At a roundtable discussion, Boston Common provided information to CDP on how we currently use its data in our research and advocacy and suggested ways CDP could advance its current reporting.

Last year, Boston Common filed a shareholder resolution focusing on chemical safety management issues with **Costco**. We withdrew the resolution to give Costco time to assess its sustainability priorities. At a follow up meeting in September, Costco shared actions it has undertaken such as phasing out **PVC packaging**, taking inventory of its **GHG emis-**

*Anonymous Human Rights Activist in Uzbekistan*

*A girl in Namangan province, Uzbekistan, picking cotton while school was in session in October. Government officials previously declared children would not be removed from school to harvest cotton.*

**sions**, and improving the energy efficiency of its stores and transportation. Costco has not publicy reported this progress, and Boston Common encouraged the company to improve the level of its reporting to at least that of its peers. We will submit specific recommendations on how it can improve its annual disclosure at the end of the year.

## Labor

Despite mounting pressure from companies, trade associations, NGOs and multi-lateral organizations over the past six months, **child labor** has been documented in this fall's cotton harvest in **Uzbekistan**. Local papers are reporting children as young as thirteen working seven days a week in the fields in unhealthy conditions (see photo, page 1). Boston Common continues to press its portfolio companies to eliminate the use of cotton grown in Uzbekistan from supply chains until the child labor abuses are resolved. **Target Corp.** is informing its suppliers they must cease using cotton from Uzbekistan and is requiring country of origin information for cotton fiber used in its products.

In July, Bloomberg reported allegations of **child labor** being used in cobalt mines in the **Congo**. **Samsung** was one of several companies reported as having ties to the offending company, Zhejiang Huayou Cobalt Co. Samsung responded to the allegations, stating it surveyed 70 percent of its suppliers, all of whom said they did not source from the Chinese company that ran the offending mine. Since 2006, Boston Common has been encouraging Samsung to improve its sustainability practices, including joining the Electronic Industry Code of Conduct group, which it did last year. Samsung recently updated Boston Common on its progress in supply chain management, which incorporated a survey of suppliers' existing CSR practices and education and training to be conducted with key suppliers before year end. Through our work with **Toyota** on slave labor use in the production of pig iron in **Brazil**, child labor in the Uzbek cotton fields, and electronics companies sourcing cobalt from problem mines in the Congo, it appears companies can manage supply chains at the commodity level to ensure forced, slave, and child labor are not being used. Talking directly with suppliers and requiring country of origin labeling are two methods proving successful in the fight against unfair labor practices.

In August, Boston Common organized an investor sign-on letter endorsed by over twenty institutional investors to **Toyota Motor Corp.** regarding human rights standards and its global supply chain. The investors represent over 3 million shares of Toyota Motor. We raised concern over reports of human rights abuses by its suppliers. We also asked for details on Toyota's participation in the **Automotive Industry Action Group (AIAG)**, an initiative dedicated to improving workplace conditions in the global supply chain of major auto companies. In December 2006, Toyota joined the AIAG after Boston Common and ICCR questioned the company's lack of participation. Because of its market size and influence, we want Toyota to take an active leadership position in the AIAG. Toyota indicated a reply to our investor letter is forthcoming, and we will seek a meeting with the company later this year.

## Human Rights

In September, Spanish oil giant **Repsol YPF** replied to the May investor inquiry led by Boston Common regarding the company's policies on **Indigenous Peoples**. Earlier this year, Repsol YPF consulted with several NGOs including Oxfam Spain to develop its new policy. The company reported to us that its new Indigenous Peoples policy will apply to all operations and contractors, as Boston Common requested.

In July, Boston Common met with **Baker Hughes** in **Houston** to discuss its new **sustainability reporting** and how the company is combating corruption overseas. Baker Hughes began reporting on sustainability issues following Boston Common's 2006 shareholder proposal. As part of this reporting, the company details its ethics and compliance programs. Citing the 1988 North Sea Piper Alpha explosion, in which the death of 167 workers led to greater safety awareness, the company's general counsel believes combating corruption in the oil industry should be as prominent an issue as protecting worker safety. Baker Hughes points out that in countries plagued by corruption, resources are less likely to flow to health care or other social services, resulting in unnecessary deaths. In 2007, Baker Hughes paid a record $44 million in federal penalties in violation of the Foreign Corrupt Practices Act, after a four-year, $50 million investigation uncovered bribes by its employees or commercial agents in several countries years earlier. It has implemented industry leading ethics and compliance programs, including disclosure.

***Disclosure***

*Company examples are drawn from model portfolios using Boston Common's comprehensive social screens. Holdings may vary by portfolio due to customized account features. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that the securities discussed herein will remain in the account's portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable.*