



BOSTON COMMON ASSET MANAGEMENT, LLC

84 State Street, Suite 1000 • Boston, MA 02109 • Tel: (617) 720-5557 • Fax: (617) 720-5665 • www.bostoncommonasset.com

ACTIVE INVESTOR SOCIAL UPDATE

THIRD QUARTER, 2009

Dear Friend,

Each fall we identify shareholder advocacy opportunities for the upcoming year's proxy season. We are delighted by the various environmental, social, and governance issues we'll be able to advance on behalf of our clients in 2010. As always, we look forward to continued collaboration in pressing for positive change at our portfolio companies and welcome your comments and participation.

*Warm Regards,
Social Research & Advocacy Team*

Human Rights

More than 5.4 million casualties have resulted from **conflict in the eastern region of the Democratic Republic of Congo (DRC)**. The instability and staggering deaths in the region have been fueled in part by a **lucrative trade in minerals** that supply the electronics industry. Tin for solder, tantalum used in cell phone and computer hardware, and cobalt found in batteries and magnetic recording media are all sourced in the Congo. Forty percent of the world's cobalt supply comes from the Congo. Boston Common is committed to helping electronics companies in its portfolios eliminate exposure to conflict minerals sourced from the Congo. We are encouraging **Nokia** to expand its prohibition of Congolese tantalum to cobalt and tin, and we joined a coalition under the United Nations Principles of Responsible Investment that is inquiring with companies, including **Apple, Canon, Hewlett-Packard, IBM, Microsoft, Philips Electronics, and Sharp** about minerals from Congo in their supply chains. We are also contributing to a stakeholder advisory group, initiated by industry coalitions and led by the NGO **RESOLVE**, which will map the geographic sources of key metals in electronics to identify areas of supply chain risk.

In September, Boston Common organized a shareowner meeting in New York City with **ConocoPhillips** regarding its relations with **Indigenous Peoples**, especially those affected by its operations in the Peruvian Amazon. We continue to press ConocoPhillips to incorporate the UN Declaration on the Rights of Indigenous Peoples into its corporate human rights policies. Boston Common has worked to attain this meeting since 2006, after ConocoPhillips purchased Burlington Resources and its operations in the Amazon. We had two previous meetings in Houston in 2007 and 2008. Our shareowner group withdrew its

shareholder proposal in March after ConocoPhillips agreed to meet with us in September. The new ConocoPhillips sustainable development report published in July details its consultation process with Indigenous Peoples, per our shareholder proposal. Regarding Peru, the company stated: "For this project, we have publicly pledged to all indigenous inhabitants in Peru to obtain complete understanding and agreement to our activities with all communities prior to conducting any and all operations." We would like ConocoPhillips's on-the-ground consultation process in the Amazon to match this goal and for the company to be a leader in its practices for operating in environmentally sensitive areas.

Since February, Boston Common has engaged **FedEx** regarding its corporate sponsorship of the **Washington Redskins NFL football team**, a name considered offensive, demeaning, and dehumanizing to Native peoples. In August, Boston Common was the first organization to sign on to a friends of the court (*amici curiae*) brief from social justice advocacy groups, asking the U.S. Supreme Court to hear a case to cancel trademark protection for the football team. The Supreme Court is expected to rule on whether it will hear the case by early next year.

In September, Boston Common organized an investor sign-on letter to the top management of **Cisco Systems** requesting substantive dialogue on **human rights**. Investors endorsing the letter, representing over 24 million shares of Cisco, stated their strong opinion that human rights risks are a growing issue for IT companies, as evidenced by recent human rights issues faced by computer manufacturers such as **Apple and Dell** in China, **Research in Motion** in the United Arab Emirates, and **Nokia Siemens Network** in Iran. Boston Common is the lead proponent of a shareholder proposal on this issue, which received support from over thirty percent of Cisco investors last year.

Human Health

Boston Common has engaged **Costco** for three years on **product safety** enhancements and expanded sustainability reporting. Costco shared its first sustainability report with us recently; it is a vast improvement over the company's previous approach to product safety concerns. Costco has committed to using **PVC-free packaging** exclusively in its private label products and is promoting **BPA-free products**. Boston Common has encouraged Costco to further examine its entire toxic footprint and to implement a more comprehensive chemical safety policy across its global operations.



Environment

In September, Boston Common organized its fifth annual investor meeting in New York City with Steve Farris, the **Chairman and CEO of Apache Corp.**, a large independent oil and gas exploration company based in Texas. The main issue we discussed was the company's response to **climate change** and other environmental issues, such as potentially negative side effects of some natural gas extraction techniques. Our investor group also provided comments on Apache's 2009 Carbon Disclosure Project response with its new Global GHG Manager. Mr. Farris asked investors to join the gas industry in advocating for a national climate and energy policy that encourages electric utilities to switch from coal to cleaner burning natural gas for their power plants. This would be a quick way for the U.S. to cut its greenhouse gas emissions.

Boston Common is part of a new investor group studying the potential environmental risks of **natural gas production in the U.S.** using hydraulic fracturing techniques. The use of geological formation fracturing with new drilling techniques is unleashing vast amounts of natural gas supplies in the U.S. from unconventional sources such as shale rock. By injecting water, sand and proprietary chemicals under high pressure deep into these formations, the rock fractures and releases natural gas. However, in some cases **local water supplies may be contaminated** by toxic fracturing fluids released by faulty production methods. Boston Common and other investors are contacting oil and gas and services companies to understand how they are addressing these potential risks and encouraging expanded use of "green" fracturing fluids.

Transparency and Sustainability

Boston Common joined a group of asset managers and ESG ratings organizations to encourage **improved disclosure of environmental and social indicators by small and mid-cap companies** in the high-impact sectors of energy, industrials, and utilities. Boston Common highlighted to each company, including **WGL Holdings** and **Jet Blue**, the positive impact of **minimizing ESG related risks on shareholder value** and peer differentiation. The group further urged companies to use the Carbon Disclosure Project questionnaire as a sustainability reporting guide. Boston Common received a twenty-five percent response rate and will follow up with the outstanding companies. In July, Boston Common also hosted an investor meeting with **TJX Companies**, urging the company to enhance its **sustainability reporting** and to provide data that is comparable from year to year.

Workplace & Labor Standards

This quarter, Boston Common encouraged a variety of portfolio companies to expand **workplace non-discrimination policies** to specifically protect the rights of lesbian, gay, bisexual, and transgender (LGBT) employees. An estimated eighty-five percent of Fortune 500 companies have chosen to implement sexual orientation nondiscrimination policies, and in many states such protection is mandated by law. Together with a group of investors and the Human Rights Campaign (www.hrc.org), we are promoting strong, consistent messaging across corporations that discriminatory behavior will not be tolerated.

In September, Boston Common and a number of its clients submitted comments to the **Securities and Exchange Commission (SEC)** on a proposed rule change that would affect disclosure of board diversity. We encouraged the Commission to require disclosure of 1.) efforts undertaken by the nominating committee to ensure a diverse group of nominees are considered and 2.) the gender and ethnic composition of the currently seated board. Currently, U.S. companies are not required to clearly disclose the gender and/or ethnic balance of the board. Yet, such **diversity on boards can improve decision making** by fostering an environment in which boardroom debate is broadly informed by a range of perspectives. Our comment letter is publicly available via the SEC website: <http://www.sec.gov/comments/s7-13-09/s71309-59.pdf>

Boston Common continues its leadership in the **Responsible Cotton Network** and is pressing global brands and retailers to address wide-spread **child labor** in Uzbekistan's cotton fields. The two-month fall harvest has started, and up to 2 million child laborers are reportedly working in the fields. Promises made last year by the Uzbekistan government to end child labor appear unfulfilled. Over the past quarter, several of our U.S. portfolio companies including **Kohl's** and **Costco**, have joined more than twenty companies worldwide (**Target, Tesco, TJX Companies**, and **Walt Disney** among them) in committing to eliminate Uzbek cotton from the supply chain. In a conversation with Boston Common and others in August, Kohl's agreed to publicly disclose its new cotton sourcing policy. Boston Common continues to engage international companies, including **Adidas, Carrefour, Esprit Holdings, Inditex**, and **Li & Fung**, to address child labor. In this case, individual company action has been more successful than work in industry groups in applying pressure to the government.