



BOSTON COMMON ASSET MANAGEMENT, LLC

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This spring, Boston Common participated in numerous proxy votes and shareholder meetings, leveraging our clients' concerns on issues ranging from oil-sands drilling and supply-chain standards to human rights and corporate disclosure. We also continued our advocacy efforts, most notably in the Far East, with Lauren Compere, our Director of Shareholder Advocacy, traveling to Tokyo to speak at TBLI 2010 Asia, one of the world's foremost conference on socially responsible investing in the region. While there, Lauren met with several South Korean and Japanese companies in order to further represent the interests of our clients in these markets. We are happy to announce that in June Lauren was elected to the Governing Board of the Interfaith Center on Corporate Responsibility (ICCR), becoming the first-ever Associate Member to join the Board of this powerful advocate for corporate social responsibility.

Global Supply Chain Standards

In April, we met with **Toyota Motor** to discuss its recent product recalls, its global supply chain standards, and its **factory workplace conditions**. Among the issues we were concerned about was the recent closing of its NUMMI factory in California. Ultimately, we urged Toyota to integrate its new global quality improvement efforts with its desire to manage a responsible supply chain. We also took a similar approach with a number of companies involved with Foxconn, a key Taiwanese technology supplier that has witnessed an alarming increase in suicides by factory workers. In speaking this quarter with **Apple, Hewlett-Packard, and Samsung Electronics**—all of which conduct business with Foxconn—we urged them to encourage the supplier to improve its factory working conditions.

We also continued our efforts to address **conflict minerals** sourced from the Congo. Along with Calvert Group and As You Sow, we wrote to more than 100 companies that use these minerals in the automotive, aerospace, food producing, medical device, and tool manufacturing industries respectively. At a recent Corporate-Investor SRI roundtable event in Tokyo, we discussed the progress achieved in this area by electronics companies. We stressed the importance of adopting a multi-stakeholder approach—one that involves investors, NGOs, corporations, and other stakeholders—as well as collaborating across industries. In April, we also raised the issue of conflict minerals with Toyota Motor, which has committed to sending us a response.

Indigenous Peoples' Rights

In May, we spoke at the **ConocoPhillips** Annual General Meeting (AGM) in Houston for the fifth year in a row on the subject of **Indigenous Peoples' Rights**. Last year the company made a commitment to acquiring informed consent before proceeding with any operations in Peru. This year, when Boston Common and the Church of the Brethren Benefit Trust met with company staff in Houston, we asked ConocoPhillips to extend this policy worldwide and to formally reference the United Nations Declaration on the Rights of Indigenous Peoples in its corporate human rights policies.

As part of our ongoing efforts on Indigenous Peoples' Rights, we also led a UNPRI investor engagement initiative with **Respol YPF**, a Spanish oil and gas company with operations in the Peruvian Amazon. Our engagement with staff in Spain and Peru

2010 Annual Shareholder Meeting Participation

Company	Issue	Recommended Action
IBM	Executive Pay	Give shareholders a "say on pay" through a vote on executive pay packages.
Cisco Systems	Free Expression & Privacy	Adopt strategy to ensure Cisco technology is not used to stifle human rights.
Waddell & Reed	Executive Pay	Give shareholders a "say on pay" through a vote on executive pay packages.
Tesco	Executive Pay	Vote against executive pay remuneration report.
ConocoPhillips	Human Rights/Biodiversity	Adopt leading environmental policies & protect Indigenous Peoples' Rights in Amazon
Respol YPF	Human Rights	Disclose payments to governments by country.

Boston Common has attended or provided entrance cards to the 2009-2010 annual shareholder meetings of the companies noted above.

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focused on company activities that may threaten Peru's Indigenous Peoples Living in Voluntary Isolation (IPLVI), especially those living in oil Block 39. While Repsol and minority partner ConocoPhillips have remained skeptical about the presence of IPLVI in Block 39, we encouraged Repsol to adopt precautionary measures similar to those established in Ecuador across the border and consider the creation of a buffer zone in the area.

BP and Offshore Oil Industry Safety

On April 20th, Transocean Ltd. reported an explosion and fire that killed eleven workers on its Deepwater Horizon drilling rig leased by BP, a catastrophe that has raised serious concerns about the wisdom of deepwater drilling. In the days following this event, Boston Common's research team began a multifaceted effort to understand the full extent of BP's role in the Gulf of Mexico spill and to determine whether we should continue to hold the stock. As part of this comprehensive review, we gathered information about the cause of the spill, the parties responsible, and how this incident related to BP's overall health and safety record. We also reviewed our reasons for previously approving BP for clients' accounts. In our original analysis, we concluded that BP's environmental performance was better than that of its peers. We spoke directly with representatives of BP as well as other offshore drilling industry experts to solicit their perspectives on the disaster and their assessment of the general risks involved in deepwater drilling projects. After thorough research, we ultimately concluded that BP no longer met the social investment guidelines for many of our clients.

Environment

In May, Steven Heim continued his work with **Apache Corporation** by meeting with Chair/CEO Steve Farris and other executives to review the company's new **environmental and climate change** initiatives. Apache is working within the industry to promote the use of natural gas in electric power production and transportation, including the adoption of compressed natural gas vehicles by major Houston employers. Apache gave us a presentation on the technology of **hydraulic fracturing** of shale formations for natural gas production, and we are helping to organize an investor workshop in New York City on the topic in late July with Apache and with Chesapeake Energy. The latter has been in negotiations with environmental groups to develop industry **best management practices** for hydraulic fracturing, an issue addressed at an earlier meeting with the company which we co-hosted with Ceres.

Along with other investors, we provided feedback and advice to **Costco** about developing a company-wide **seafood sustainability policy**. We endorsed the **Forest Footprint Dis-**

closure (FFD) project, a UK government-supported initiative to help investors understand the global trade in biofuels, soy, palm oil, beef, wood, and pulp that results in deforestation.

Governance and Disclosure

Boston Common continued its leadership under the **Emerging Market Disclosure Project (EMDP)**, an international initiative designed to improve corporate ESG practices in emerging markets. This included moderating a panel at the TBLI Asia conference as well as working with the EMDP Korean Team to release the baseline study "Unlocking Investment Potential: ESG Disclosure in Korean Companies," which was authored by the Korean CSR Research Service (KOCSR).

The aim of the study was to further institutional investors' understanding of the Korean SRI/CSR landscape, and it produced several important findings. While many Korean companies perform well on "core" governance issues like board independence and committee audits, and while many acknowledge environmental management as an important element of ESG performance, too many Korean companies still do not publish a CSR report. Even fewer companies show an inadequate concern for social issues like human rights.

In the course of Boston Common's involvement with the EMDP, we also held meetings with many companies profiled in the study including **Hyundai Motor, LG Chem, POSCO, Samsung Electronics, and Shinhan Bank**, and we took the opportunity to encourage more comprehensive reporting on social issues, as well as better incorporation of stakeholder feedback. Boston Common also spoke at the Korean PRI group about the key sustainability trends that are of particular concern to global investors.

While in Japan, our research team also met with a number of our Japanese portfolio companies, including semiconductor fabrication equipment manufacturer **Disco**, auto supplier **Denso**, automaker **Honda**, consumer electronics giant **Sony**, global bank **Sumitomo Mitsui**, and medical device company **Terumo**. Overall, each of these companies appears to possess very good environmental management systems, including the promotion of green procurement programs with first and second tier suppliers. One major area of focus for these companies, especially in the wake of the Toyota recalls, was the effectiveness of their product health and safety measures. During our meetings, many of these companies also identified the need to make more progress on managing contract worker issues, promoting diversity within the workplace, ensuring clearer career paths for women, and offering more flexible working hours. We also highlighted the need for **improved reporting on human rights issues** and better engagement with stakeholders.