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Boston Common's shareowner engagements over the past year advanced corporate environmental, social, and governance (ESG) sustainability in a variety of ways. For example, stakeholders now have greater clarity on how banks finance new coal development and where companies source raw material. With this deepened knowledge, stakeholders will continue strategic campaigns for meaningful change. We also witnessed a significant leap forward in the world of shareowner rights in 2010 with the legislating of "say on pay." Our focus in the upcoming year touches on various aspects of environmental risk management, disclosure, global health, and human rights. As always we welcome your participation and feedback.

Human Rights

Boston Common, together with investors representing over \$145 billion in assets, has publicly called on 160 leading U.S. corporations to voice support for reasonable **immigration reform**, including a pathway to legal status. Endorsing the recently created **bipartisan Partnership for a New American Economy** is one example of how companies can contribute positively to the policy debate and is one tangible step we are asking executive management to take. Strengthening the voice of the business community in calling attention to immigrants' crucial contribution to our continued economic growth counters growing, negative immigration rhetoric. As America undergoes a major demographic shift with retiring baby-boomers, immigrants will be vital to replenishing our labor force and consumer base.

In January, Boston Common and the **Conflict Risk Network (CRN)** held dialogue with Sweden-based heavy equipment manufacturer **Atlas Copco** regarding **exposure to Sudan**. Atlas Copco has no permanent employees in Sudan but does provide construction equipment to a distributor in the country. The equipment includes rollers, pavers, and water well drill rigs—supplies primarily used to build roads and to provide access to resources like water. Boston Common is continuing to assess Atlas Copco's operations relevant to Sudan.

Also in partnership with CRN, Boston Common has called on oil companies doing business in Libya to **halt revenue payments to the Libyan government**. CRN and its members, including Boston Common, have requested that the UN Security Council establish the **Libya Recovery Fund** as a way to cut support to the government while enabling civilians to benefit

from their resources. European Parliament members called on the EU to take the lead in establishing such an escrow account. UK Foreign Secretary, William Hague, discussed the idea in a Parliamentary meeting in early March.

Boston Common organized and helped underwrite a special plenary panel for the February 2011 member meetings of the Interfaith Center on Corporate Responsibility (ICCR) featuring representatives of **First Peoples Worldwide**, **ConocoPhillips Corp.**, **the International Indian Treaty Council**, and **Amazon Watch**. The topic was **"Free Prior and Informed Consent: What are the Challenges in Implementation by Extractives Companies?"** The panel followed an ICCR-hosted meeting, convened by Boston Common and the Church of the Brethren Benefit Trust (BBT), with ConocoPhillips, ICCR members, and a few international signatories to the UNPRI. The company shared with our shareowner group presentations and video recordings from its consultations with Indigenous communities in Peru. We encouraged ConocoPhillips to reference **Indigenous Peoples' rights** formally in the company's corporate human rights policies. As part of its global strategic asset divestiture plan, ConocoPhillips plans to sell its minority interest in **Block 39 in Peru**, a controversial area due to the possible presence of Indigenous Peoples Living in Voluntary Isolation. Since 2006, Boston Common, BBT, and other investors have raised concerns about possible human rights violations arising from oil exploration there.

The United Nations Special Representative of the Secretary-General on **Human Rights and Transnational Corporations**, **John Ruggie**, has released concrete recommendations on **how businesses can protect human rights**. Boston Common provided comments to John Ruggie on what we view as strengths and weaknesses of the "Guiding Principles" given our history of engaging global corporations on a wide range of human rights issues. In our overall assessment, we highlight that the Principles identify key benchmarks to guide corporate behavior and further challenge Ruggie's team to strengthen public communication and accountability measures. Without them, the human rights framework is significantly compromised.

Environment

This quarter, we continued our engagement with **Costco** on **seafood sustainability**. As a result of broad investor engagement,

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Costco released a sustainable seafood policy last year. In February, Boston Common specifically requested Costco label certified seafood sold in its stores, better define its policy and what a 'sustainable seafood product' means for Costco, and utilize metrics to track the impact of the new policy. Such accountability mechanisms will help all stakeholders understand the policy's impact on oceans, supply chains, and consumers.

Boston Common and **Apache Corp.** convened an **investor forum on hydraulic fracturing and offshore oil safety**. About 55 people participated in the February event in New York, including representatives of **Halliburton Co. and Occidental Petroleum**, and staff from **Ceres and the Investor Environmental Health Network**. This was the third in a series of half day, off-the-record meetings aiming to promote **deep discussion and better understanding of complex issues** by shareowners and their companies. Investors learned that a new website organized by an association of ground water regulators will disclose the fracturing fluids used for new 2011 wells by 15 operators participating voluntarily. Investors would like key performance indicators to judge how well companies are addressing both hydraulic fracturing risks and offshore oil safety. A few high level concerns include how operators could use the least toxic fracturing fluids (including food grade chemicals), how companies handle "management of change" when deviating from well construction engineering plans, and how compensation schemes encourage best safety practices. Boston Common will work with companies and stakeholders to develop such metrics.

Workplace & Supply Chain

Boston Common is one of eight global investors leading a new PRI collaborative engagement on **labor standards in the supply chain** of 36 global companies. The companies are sector laggards when it comes to labor standards among Household & Personal Products and Consumer Durables & Apparel sectors. This engagement is led in partnership with the **Pensions and Capital Stewardship Project at Harvard Law School's Labor and Worklife Program**.

In March, Boston Common led an investor group in submitting comments to the **SEC** on draft rules for the **Conflict Minerals Special Disclosures under the Dodd-Frank Act**. The letter, signed by over 50 investors, recommended that all conflict minerals, including tin, tantalum, tungsten, and gold, be treated equally under the rules and that mining companies disclose exposure to these minerals. We further recommended that the SEC require companies to maintain documents supporting company claims that minerals did not originate in the Congo. The full commentary can be viewed at SEC.gov under "Implementation of Dodd-Frank Act" with the subheading "Specialized Corporate Disclosure." Boston Common endorsed a similar letter by

a broad multi-stakeholder group including companies, investors, and NGO groups. We also endorsed a letter to California Senator Ellen Corbett supporting **CA Senate bill SB861**, which would deny companies procurement contracts with the State of California for failing to meet the requirements of the SEC disclosure rules on conflict minerals.

Governance & Transparency

This quarter, Boston Common joined PRI signatories representing \$832 billion in assets in requesting that the **Ontario Securities Commission** expand shareowner rights by implementing an **annual advisory vote on executive compensation** and adopting a majority voting system. Current law allows "slate voting," whereby a shareowner must vote for or against a full slate of directors and thereby does not have the ability to vote on each individual director nominee.

Boston Common joined a coalition of investors this season in asking **3M Company** to reassess its role as a **Board Member in the U.S. Chamber of Commerce**. The Chamber is known for putting big money and lobbying power to work behind partisan positions that contradict 3Ms stated policies. For example, the Chamber has sued the **U.S. Environmental Protection Agency** to limit its ability to regulate carbon emissions, and it is vigorously working to dismantle healthcare reform and the political careers of Congresspeople that support it. The shareowner proposal is unique in that it will be raised directly from the floor of the annual shareowner meeting, not via the proxy statement.

In March, Boston Common met with the head of sustainability of London-based **Standard Chartered Bank** to discuss access to finance and **sustainable lending criteria**. The company has a large presence in Africa and Asia where most citizens have minimal access to financial services. Standard Chartered is expanding its **training of credit and risk managers on ESG issues**, including lending to small and medium sized enterprises. In 2009, Standard Chartered developed 14 position statements related to the provision of financial services to clients facing unique constraints or those operating in high-impact sectors. This year, the bank will audit existing position statements to make sure they are aligned with updated performance standards of the International Finance Corporation of the World Bank. Boston Common encouraged Standard Chartered to enhance its approach to **human rights risks in the supply chain**.

Ceres and **Ford Motor Co.** invited Boston Common once again to participate in a **stakeholder consulting group** to help shape **Ford's 2011 sustainability reporting**. Boston Common encouraged Ford to provide more detail on its leadership in promoting improved working conditions in its global supply chain through the **Automotive Industry Action Group**.