



BOSTON COMMON ASSET MANAGEMENT, LLC

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*Spring is proxy season, marked by annual shareholder meetings and voting corporate ballots. In addition to voting and annual meeting attendance, Boston Common met with executives of several portfolio companies this quarter to discuss material Environmental, Social, and Governance (ESG) issues. **Boston Common was also a proud sponsor of the first annual Social Investment Forum conference this June in Washington DC.** We look forward to seeing more of our colleagues and friends at the US SIF conference next year!*

Environmental Risk Management

Boston Common organized major investor meetings on **environmental risk management related to hydraulic fracturing** for natural gas production and deepwater offshore oil safety. In April, an **Apache Corp.** petroleum engineer discussed what to do right and what can go wrong in well construction for shale gas production with two dozen investor, NGO, and union representatives. “Green” fracturing fluids and water use were also discussed. Boston Common then convened with Apache two, joint investor–company meetings on developing key performance indicators (KPIs) to judge how companies address hydraulic fracturing and deepwater offshore oil risk. Industry representatives from **Southwestern Energy** and **Chevron** participated in the hydraulic fracturing meeting. At the annual Ceres conference in May, Steven Heim of Boston Common led a panel titled “**New Horizons in Shareholder Engagement**” that included Sarah Teslik, SVP Policy and Governance for Apache. They shared lessons and tactics that have been the most productive for them in advancing shareholder engagement.

In June, Boston Common continued its engagement with **Veolia Water** on access to water and sanitation as a human right. Boston Common raised questions about Veolia’s plans to implement the **UN Human Rights Council Resolution** on access to water and sanitation through private-public partnerships. We also asked Veolia about the policy framework it uses to promote access to water and sanitation and its mechanisms to engage with local stakeholders. Veolia’s CEO, Jean-Michel Herrewyn, affirmed the company’s endorsement of international accords on access to water and sanitation and provided a detailed account of Veolia’s involvement with local stakeholders on the issue. Boston Common will continue encouraging Veolia to engage with local communities and NGOs on water pricing and distribution, set up grievance mechanisms to properly handle

consumer disputes, and adopt key performance indicators for monitoring and reporting on access to water and sanitation issues.

In April, Boston Common led a shareholder coalition that expressed concern about **PNC Financial’s** support of companies involved in **mountain top removal (MTR) coal mining**. PNC adopted a policy on MTR identifying it as a source of broadening regulatory and legislative scrutiny. Our shareholder coalition seeks to understand the full impact of PNC’s commitment to restricting credit to coal producers whose primary extraction method is MTR. It is our understanding that few if any mining companies use MTR. Boston Common is pressing for details on how the new policy has impacted lending decisions at PNC.

Boston Common is similarly engaged on **coal financing** with **JPMorgan Chase & Co.**, a founding signatory of the Carbon Principles. The Principles apply narrowly to new coal-fired electricity generation in the US. We are interested in JPMorgan Chase’s financing of pollution retrofit projects for coal-fired plants that would otherwise be retired. We’re also pressing the company on its support of carbon mitigating initiatives such as energy efficiency enhancements and clean renewable power.

Human Rights & Indigenous Peoples

For the sixth consecutive year, Steven Heim spoke at the **ConocoPhillips** annual meeting and encouraged the company to adopt a global human rights policy for **Indigenous Peoples** that includes the right to **Free, Prior, and Informed Consent (FPIC)**. At the meeting, the company announced the sale of its interest in **Block 39 in the Peruvian Amazon**, eliminating its ties to the contentious area. Since 2006, Boston Common, the Church of the Brethren Benefit Trust, and others have raised concerns about possible human rights abuses by continued oil exploration in Block 39 despite evidence of the presence of un-contacted Indigenous Peoples living in voluntary isolation.

During the **UN Permanent Forum on Indigenous Issues** in New York, Steven met with Chief Dr. Wilton Littlechild of Ermineskin Cree First Nation in Canada, a former North American Representative to the Permanent Forum. They discussed ways investors can encourage corporations to adopt and implement FPIC policies. Dr. Littlechild thanked Boston Common for our work in this area and shared his vision for the World Indigenous

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Nations Games, an Olympics-style sporting and cultural event, as a way to promote health and positive models for Native youth around the world. See <http://www.winsportinc.com>.

In May, Steven presented at the **tenth annual conference of the International Funders for Indigenous Peoples** on the panel “Using Shareholder Power to Defend and Promote the Rights of Indigenous Peoples.” He shared tactics and success stories of engagement with Indigenous people from Ecuador, the Philippines, Ethiopia, as well as with institutional investors.

Boston Common helped launch two shareholder proposals with **FedEx** related to its corporate sponsorship of the **Washington D.C. National Football League (NFL)** organization, which were filed in April and June, including a “floor motion” at FedEx’s annual meeting. The floor motion asked FedEx to examine how it may be violating the rights of Native peoples as referenced in the UN Declaration on the Rights of Indigenous Peoples and the impacts of its business ties with the Washington NFL franchise.

Human Trafficking Investor Statement

Boston Common continued its leadership in addressing **human trafficking and modern day slavery** by helping to draft an **investor statement** signed by over 90 global investors from the US, Europe, and Africa. The statement was sent to 27 companies in the high-risk sectors of agriculture, apparel, electronics, food & beverage, and hotel & tourism. The statement includes recommendations such as impact assessments, employee training, and awareness-raising campaigns. Boston Common shared the investor statement with portfolio companies **Canon, Disney, Esprit, Metro, Nestle, Tesco, Unilever, and Vodafone**.

Transparency & Disclosure

As part of a group of investors, Boston Common contacted **112 small and mid-cap Russell 2000 companies** in April to encourage **sustainable business practices and greater ESG disclosure**. We asked them to lead by example, to be transparent on ESG practices, and to improve their communication on ESG activities by publishing a sustainability report.

Boston Common participated in the **Sustainable Emerging Markets** conference in London during May. Lauren Compere, Co-Chair of the Emerging Markets Disclosure Project, spoke at the conference about Boston Common’s experience engaging Korean companies on sustainability disclosure. Lauren also met with **HSBC Holdings, Tesco, Unilever, and Vodafone** to discuss key sustainability issues including sustainable financing, responsible sourcing, human rights due diligence implementa-

tion, access to nutrition, and conflict minerals. Boston Common commended Tesco for its leadership position related to **Uzbek cotton and child labor**, and we encouraged the company to influence outsourcing giant **Li & Fung** to go beyond compliance and implement its own child labor policy. With Vodafone, we discussed its approach to human rights and responsible sourcing, and we encouraged the company to develop a more explicit policy related to conflict minerals for private label phones.

Health & Nutrition

There is growing pressure for tighter **regulation of food labeling and advertising**, especially to children. As regulation and litigation increases, food and beverage companies face brand loyalty and reputation risk. Boston Common met with key representatives at **Kraft Foods, PepsiCo, and Unilever** to discuss how the companies address such risks and their plans to capitalize on opportunities, as they reformulate product portfolios for higher nutritional profiles and revamp marketing campaigns.

Boston Common continues to be impressed by **Unilever’s approach to access to nutrition**, including its broad goals related to product reformulation, labeling practices, and strict marketing protocols, especially to children. Unilever has assessed the nutritional profile of all 300,000 of its products and established a set of benchmarks in 2003 to reduce salt, sugar, trans fats, and saturated fats. The company has measured and reported its progress publicly since 2005. In its 2010 Sustainable Living Plan, Unilever set a goal to raise the nutritional profile of 40% of its global products to meet internationally recognized dietary recommendations by 2020. By 2010, the company had already achieved 50% of its goal.

Boston Common also commended **Pepsi** for establishing the new **Global Nutrition Group** and, in 2010, for developing a key set of indicators to benchmark progress on access to nutrition. Pepsi has improved the nutritional value of some products, developed a marketing code for children, and goals to reduce sugar and salt 25% by 2015 and saturated fats 15% by 2020. Pepsi plans to grow its nutrition business from \$10 billion to \$30 billion by 2020. Boston Common encouraged Pepsi to establish a summary chart of goals and to disclose annual accomplishments and challenges.

Boston Common met with **Kraft** to discuss **access to nutrition** not only in its established North American market, but also in emerging markets where its presence has grown with the acquisition of Cadbury. Kraft has improved the nutritional profile of 5,500 products since 2005 but lacks explicit goals. Kraft has global labeling standards and was the first company to implement a global policy on marketing to children. Boston Common encouraged Kraft to set clear nutrition goals for its products.