



# BOSTON COMMON ASSET MANAGEMENT, LLC

84 State Street, Suite 940 • Boston, MA 02109 • Tel: (617) 720-5557 • Fax: (617) 720-5665 • www.bostoncommonasset.com

## ACTIVE INVESTOR SOCIAL UPDATE SECOND QUARTER, 2012

*Dear Reader,*

*The Boston Common Active Investor Social Update has expanded this quarter to allow us to give you a more in-depth look into our advocacy initiatives. Look for more enhancements to our reporting this quarter and next.*

*Sincerely,  
The Boston Common Shareowner Engagement Team*

### SPOTLIGHT ON RIO

#### GOVERNMENTS, INSTITUTIONS, NGOs AND INVESTORS CONVENE TO STRATEGIZE ON GLOBAL SUSTAINABLE DEVELOPMENT

The United Nations Conference on Sustainable Development was held in Rio de Janeiro, Brazil, in June. Intended to bring together a broad range of stakeholders to address themes of green economic development and poverty eradication, **Rio+20** was unable to reach multi-lateral agreement around sustainable investment themes. However, it provided Boston Common a rich venue for engaging with major change makers and thought leaders.

**Boston Common’s Steven Heim returned to Brazil**, where he lived as a child, to participate in the UN-backed Principles for Responsible Investment (PRI) annual conference. There, Steven presented a US investor perspective on shale gas and climate change, and promoted **“Extracting the Facts.”** This report, co-authored by Boston Common and published by the Investor Environmental Health Network (IEHN) and Interfaith Center for Corporate Responsibility (ICCR), provides investor guidelines on hydraulic fracturing. Steven also participated in the People’s Summit, the global civil society counter-conference to Rio+20, where he followed the evolving conversation on the controversial Belo Monte dam project.

While in Rio, Steven joined the **International Corporate Governance Network’s (ICGN) annual conference**. There he expressed Boston Common’s support of ICGN’s new guidelines on executive remuneration, which are designed to convey investor expectations of remuneration practices to companies. At an investor event organized by Brazil’s PREVI, Latin America’s largest pension fund, we encouraged Brazilian investors to more actively collaborate with other investors in raising sustainability concerns with companies.



Steven Heim at the Peoples Summit in Rio with Japanese activist, Makiko Imai.

## INSIDE THE ISSUE

### PAGE ONE

WELCOME & SPOTLIGHT ON RIO

### PAGE TWO

SPOTLIGHT ON PHARMA  
COMPANY DIALOGUES & ENGAGEMENT UPDATES  
*ISSUE AREA: TRANSPARENCY, DISCLOSURE,  
& DUE-DILLIGENCE*

### PAGE THREE

COMPANY DIALOGUES & ENGAGEMENT UPDATES  
*ISSUE AREA: INDIGENOUS PEOPLES’ RIGHTS*  
*ISSUE AREA: HUMAN TRAFFICKING & MODERN-DAY SLAVERY*  
*ISSUE AREA: CONFLICT MINERAL DISCLOSURE*  
*ISSUE AREA: ENVIRONMENT*

### PAGE FOUR

ICCR ANNUAL GENERAL MEETING  
PORTFOLIO COMPANY ESG HIGHLIGHTS



## COMPANY DIALOGUES & ENGAGEMENT UPDATES

### TRANSPARENCY, DISCLOSURE & DUE DILIGENCE

In Switzerland, we met with members of power and automation company **ABB**'s sustainability team. The discussion focused on how ABB is addressing rising expectations related to human rights due diligence, particularly as they and other companies consider re-entry into Burma, and how ABB is strengthening its bribery and anti-corruption policies and implementation.

### SPOTLIGHT ON PHARMA

#### ACCESS TO MEDICINE BECOMES ACCESS TO HEALTHCARE

In June, Lauren Compere traveled to Switzerland to meet with pharmaceutical giants **Novartis** and **Roche** at their headquarters in Basel. In addition, we hosted a call with **Glaxo-SmithKline** (GSK), where we have been leading an investor engagement for over ten years. The discussion surrounding access and affordability of medicines has expanded dramatically in recent years. Investor expectations have shifted from Access to Medicine to Access to Healthcare. The focus has moved beyond the 3 pandemics (HIV/AIDs, TB and Malaria) to neglected tropical diseases and non-communicable diseases. The regional focus of the access policies of pharmaceutical companies has also broadened beyond least-developed countries (LDCs) to include middle-income countries. Since 2008, our engagement with pharmaceutical companies has focused on how they are integrating these issues into their core business strategies.

We asked both Novartis and Roche to develop targets that extend beyond their commitments to the UN Millennium Development Goals, which focus on an end-date of 2015. We asked all three companies to think both individually and as an industry about how they can develop better reporting and metrics on the public-private partnerships in which they are involved. This would allow investors and other stakeholders to assess both the companies' particular contributions, as well as the effectiveness of these partnerships. In our discussion with Novartis we encouraged its generic division Sandoz to provide more disclosure about how it is addressing access issues separately from Novartis, given its different business model.

Since 2011, Boston Common has engaged small cap companies in an effort to increase their level of transparency and disclosure. **Old National Bancorp** has launched its Corporate and Social Responsibility website, (<https://www.oldnational.com/about-us/social-responsibility/index.asp>) incorporating Boston Common's recommendations that the company develop clear policies on diversity and the environment. We also recommended that it adopt Key Performance Indicators (KPIs) for tracking future performance.

Boston Common participated on a call organized by the Conflict Risk Network to discuss **Atlas Copco**'s implementation of the UN Guiding Principles on Business and Human Rights. We asked that as the company prepares its Human Rights statement, it provide both for human rights due diligence in high risk countries as well as create grievance mechanisms for impacted communities in these countries.

This quarter, Boston Common was invited to provide feedback on the Business for Social Responsibility (BSR) consultation in the development of **reporting standards by the Shanghai Stock Exchange** for Chinese listed companies. We recommended that Chinese listed companies place emphasis on materiality analysis as they begin preparing Corporate Social Responsibility (CSR) reports, and that they articulate the mitigation steps they are prepared to take in order to reverse the negative impacts of their operations.

In early March, we had a follow up dialogue with **PNC Bank** to encourage them to further disclose the impact of their policy on Mountain Top Removal (MTR), and to consider a policy similar to that adopted by Credit Suisse, which is in essence a sector ban on mining companies who use MTR.

While in Brazil, we met with a number of companies, sharing with them international best practices on a range of environmental, social and governance (ESG) issues. **CEMIG**, Brazil's largest vertically integrated utility, was encouraged to reduce negative community impacts in the controversial Belo Monte dam project in the Amazon, of which the company indirectly owns about 7%. With **OGX Petroleo e Gas Participacoes**, a new independent oil & gas company, we discussed ways to improve its currently weak ESG reporting. With **Grupo Pão de Açúcar**, Brazil's largest private sector employer and retailer, **Natura Cosméticos**, Brazil's leading cosmetics company and **Itaú Unibanco**, one of the ten largest banks in the world by market value, Boston Common emphasized investor interests in ESG issues and reporting. After our meeting, Itaú told us we were the first investor to meet with the company to discuss ESG issues.



## INDIGENOUS PEOPLES' RIGHTS

In May, Steven attended the 11th Annual Session of the **UN Permanent Forum on Indigenous Issues**, in New York City. He met with indigenous leaders from Canada, Australia, the Philippines, Rapa Nui, and upper Scandinavia. Some were pessimistic that companies are “going through the motions” regarding **Free, Prior, and Informed Consent (FPIC)**, with one saying that “if you talk, you lose.” Another leader said it was time for Indigenous Peoples to focus on their great assets to advance their sovereignty. They all welcomed help from Boston Common and other investors in defending their human rights as Indigenous Peoples.

Also in May, Steven helped organize a session for a conference of the **International Funders for Indigenous Peoples**. The session tackled the topic of corporations and Indigenous Rights, and included Chief Wilton Littlechild of the Ermine-skin Cree First Nation of Canada, Prof. Jeffrey Davidson of Queens University, and Celeste McKay, a consultant working for Chief Littlechild. Steven shared Boston Common’s success in influencing corporations to respect the human rights of Indigenous Peoples.

In May, Steven spoke at his seventh straight **ConocoPhillips** AGM in Houston. He asked CEO and Chairman Ryan Lance if the company will move to independently verify implementation of its 2011 commitment to respect indigenous communities in keeping with the UN Declaration on the Rights of Indigenous Peoples. He also met with leaders of the company’s sustainable development team to plan future investor engagements in the wake of the company’s spin-off of Phillips 66.

## HUMAN TRAFFICKING & MODERN-DAY SLAVERY

The **California Transparency in Supply Chain Act**, while basic, has provided investors with a great point of leverage in urging companies to pro-actively address human trafficking and modern day slavery. In January, Boston Common met with **Tesco** to encourage them to address human trafficking and modern day slavery in their human rights policy and in their sourcing practices. Boston Common also reached out to **Esprit Holdings** to encourage them to provide disclosure on human trafficking in its supply chain.

## CONFLICT MINERALS DISCLOSURE

There has been a further delay in the release of the final SEC rules on Conflict Minerals Disclosure under the Dodd-Frank Act, known as the **Conflict Minerals Law**, now tentatively set



Steven Heim speaks at the UN Principles for Responsible Investment (PRI) annual conference in Brazil

for August 22nd. In Q1 Boston Common met with SEC Commissioner Elisse Walter, who stated that the key obstacles were pressure from the US Chamber of Commerce, the level of disclosure being pushed by many stakeholders, and cost estimates.

We met with **Microsoft** in June to discuss how it is addressing conflict minerals disclosure. We encouraged the company to publicly announce its participation in the Public-Private Alliance for Responsible Minerals Trade, and to provide more detailed disclosure on how it is conducting its supplier assessments.

Also in June, we met with **HSBC’s** Sustainability Team. We encouraged the company to adopt a policy on Conflict Minerals sourced from the DRC, to enhance its human rights due diligence process for clients in light of legislation like the Conflict Minerals Law and the California Transparency in Supply Chain Act, and to examine their exposure to Burma through direct financial transactions and those of its corporate clients.

## ENVIRONMENT

“**Extracting the Facts: An Investor Guide to Hydraulic Fracturing**” has continued to be a potent advocacy tool. As of June 30, investors and organizations with over \$1 trillion in assets under management had united to publicly support the guidelines, co-authored by Boston Common, which articulate investor recommendations for best practices and risk disclosure in hydraulic fracturing. Four energy companies are now public supporters: Apache Corp., Southwestern Energy, BG Group (UK), and Talisman Energy (Canada). New investor supporters include APG, one of the world’s largest administrators of group pension schemes, and the Australian Council of Superannuation Investors.

Boston Common continues to promote **sustainable fisheries** practices through a collaborative engagement with PRI. We have written to 41 companies, including retailers, restaurants, distributors and producers, asking them to address unsustainable fisheries practices such as overfishing and fish farming. We authored a letter targeting non-responding companies, and participated in calls with **Nestle** and **Tesco**. In our call with Tesco, we asked that they avoid sourcing fish appearing on 'red lists', a recommendation that the company said was very helpful.

#### ICCR ANNUAL GENERAL MEETING

#### BOSTON COMMON CO-HOSTS THE 2012 INTERFAITH CENTER ON CORPORATE RESPONSIBILITY ANNUAL GENERAL MEETING



Lauren Compere, pictured at right, at the ICCR AGM, co-hosted by Boston Common, with Professor John Ruggie (center) and ICCR's Executive Director, Laura Berry.

In June, Boston Common co-chaired the host committee for the 2012 Interfaith Center on Corporate Responsibility (ICCR) AGM in Boston, and sponsored the welcome reception, where Lauren Compere introduced Professor John Ruggie as the keynote speaker. Ruggie is best known for having produced the widely endorsed UN Guiding Principles on Business and Human Rights, which outline what companies must do to address and prevent human rights abuses linked to their business activities. At the reception, Ruggie spoke about the rising expectations of corporate human rights due diligence, and the role that investors can play in building accountability. At the meeting, Lauren Compere was elected Treasurer of the ICCR General Board.

Boston Common Asset Management is an independent registered investment advisor. The firm provides socially responsible investment management services to individuals and institutions who seek sustainable, long-term capital appreciation with social screening and shareholder advocacy. The information in this document should not be considered a recommendation to buy or sell any security. There is no assurance that any securities we discuss will remain in an account's portfolio at the time you receive this document. The securities discussed do not represent an account's entire portfolio and may represent only a small portion of an account's holdings. It should not be assumed that any securities transactions we discuss were or will prove to be profitable. Past performance does not guarantee future results. All investments involve risk, including the risk of losing principal.

## PORTFOLIO COMPANY ESG HIGHLIGHTS

**Roche** has created a patient assistance program for oncology patients on its Herceptin program - a specialized treatment for a certain strain of breast cancer. The patient pays for 6 cycles of the treatment but then gets an additional 8 cycles donated. This has increased not only the number of patients but increased Herceptin sales by 128%. The program started in August 2011.

**Novartis** is involved in a unique partnership with Vodafone and IBM in Tanzania called "SMS for Life" which tracks inventory of its malaria medicines throughout the supply chain, virtually eliminating stock-outs across all participating villages and clinics.

In our meeting with **Microsoft** we commended the company for its public opposition to the Chamber of Commerce's withholding of support for the Conflict Minerals Law of the Dodd-Frank Act.

**Grupo Pão de Açúcar's** "Faces of Brazil" program promotes the sustainable products of small Brazilian suppliers. The program teaches them how to package and price their products for sale at their stores, and pays them in advance.

**Itaú Unibanco** has partnered with other Brazilian banks to provide training in mathematics and bank operations for people with disabilities. Itaú and other companies then hire from this pool of trained workers.